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United Nations Population Fund

Financial report and audited financial statements

for the year ended 31 December 2015

and

Report of the Board of Auditors

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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal

Letter dated 29 April 2016 from the Executive Director of the United Nations Population Fund addressed to the Chair of the Board of Auditors

Pursuant to financial rule 116.3 (b) of the United Nations Population Fund, I have the honour to submit the financial statements of the Fund for the year ended 31 December 2015, which I hereby approve.

(*Signed*) Dr. Babatunde **Osotimehin**
Executive Director

Letter dated 30 June 2016 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Population Fund for the year ended 31 December 2015.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor-General of the
United Republic of Tanzania
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Population Fund (UNFPA) for the year ended 31 December 2015, which comprise the statement of financial position (statement I) as at 31 December 2015, the statement of financial performance (statement II), the statement of changes in net assets (statement III), the cash flow statement (statement IV), the statement of comparison of budget and actual amounts (statement V) and the notes to the financial statements.

Responsibility of management for the financial statements

The Executive Director of UNFPA is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control as management deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditors

Our responsibility is to express an opinion on these financial statements on the basis of our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers such internal control as is relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UNFPA as at 31 December 2015, and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Report on other legal and regulatory requirements

Further to our opinion, the transactions of UNFPA that have come to our notice or that we have tested as part of our audit have in all significant respects been in accordance with the Financial Regulations and Rules of UNFPA and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations and regulation 18.1 of the Financial Regulations and Rules of UNFPA (UNFPA/FIN/REG/Rev.10), effective 1 July 2015, and the related annex thereto, we have also issued a long-form report on our audit of UNFPA.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of
the United Kingdom of Great Britain and Northern Ireland

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

30 June 2016

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Population Fund (UNFPA) assumes a leading role in the United Nations system in promoting population programmes. The Fund is mandated to build the knowledge and capacity to respond to needs in population and family planning; to promote awareness of population problems in both developed and developing countries and provide possible strategies to deal with population problems in the forms and means best suited to the needs of individual countries.

UNFPA works with more than 2,600 staff serving 155 countries and in partnership with other United Nations agencies, Governments, civil society and the private sector to support gender-sensitive policies and programmes. It is funded primarily from voluntary contributions that are categorized as earmarked and unearmarked. Revenues amounting to $992.8 million were recognized in 2015, comprising net unearmarked contributions of $392.2 million, net earmarked contributions of $543.3 million and other revenues of $57.3 million. Total expenses amounted to $977.38 million, comprising $713.83 million utilized directly by UNFPA and $263.55 million incurred by partner organizations on behalf of UNFPA.

Scope of the report

The report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly and has been discussed with UNFPA management, whose views have been appropriately reflected.

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly, in all material respects, the financial position of UNFPA as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with IPSAS. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed UNFPA operations under United Nations financial regulation 7.5, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The Board examined UNFPA operations in the areas of implementation of risk management, programme management, results-based management, human resources management, procurement and contract management, inventory management and information and communications technology (ICT). The report also includes a brief commentary on the status of implementation of previous recommendations.

Audit opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UNFPA as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Overall conclusion

The Board identified no significant errors, omissions or misstatements that might affect its opinion on the UNFPA financial statements. The Board noted that UNFPA is in good financial health and management has undertaken some initiatives to enhance its operations by introducing new systems, such as the global programming system for managing workplans and the strategic information system, which has facilitated the documentation of risks and monitoring of results. However, the Board noted scope for improvement in a number of areas, both at headquarters and in field operations, such as the implementation of enterprise risk management, programme management, in particular the newly introduced global programming system for workplans and budget management, the quality assurance process for the progress reports of implementing partners and information and communications technology.

The Board considers that UNFPA needs to widen the scope of its initiatives, deepen the effect of measures introduced and correct deficiencies noted during the audit by fully implementing its recommendations, to ensure that it delivers its mandate effectively and efficiently.

Key findings

The Board has identified a number of issues which need consideration by management to enhance the effectiveness of UNFPA operations as highlighted below:

(a) Evaluation of risk management processes

UNFPA has established a strategic information system, in which strategic and fraud risks that the organization faces are identified, documented and ranked by each business unit under the "MyRisk" module. While the Board noted progress on the establishment of an enterprise risk framework, several weaknesses still remain in areas such as (a) the absence of documentation of strategic risk mitigation measures in the system; (b) the lack of a risk management matrix and details to ascertain how risks are ranked and the criteria used in arriving at that ranking; and (c) the lack of documentation of the risk assessment process. The absence of a clear documentation process and well-defined risk criteria poses a challenge, especially in risk ranking, setting up mitigation strategies and establishing whether the risk rankings were properly done. Likewise, the absence of risk measures or response strategies limits the ability of staff to take immediate action should an event occur.

(b) Use of the global programming system for workplan and budget management

The total budget amounts in the global programming system for 25 (46 per cent) implementing partners at the six country offices visited were higher by $5.97 million than the amounts in the signed workplans sent to commitment control. In addition, the agreed workplans of implementing partners were created outside the global programming system, contrary to the requirements in the user guide to the system. Further, the Board noted that the global programming system generates only the financial information of implementing partners, but cannot generate information on other non-financial information, such as quarterly progress reports. The Board considers that the inclusion of non-financial information reporting features in the global programming system will improve the monitoring of programme activities implemented by each partner in achieving the planned output and outcomes.

(c) Quality assurance in the workplan progress reports

A total of 34 (65 per cent) workplan progress reports at four out of the six country offices visited by the Board were not detailed enough to explain whether the progress achieved was in line with the anticipated results and agreed budgets. The progress reports lacked a clear description of how the completed activities contributed to the achievement of the specific indicators in the workplans. That contravenes the requirements of part B of the policy on the financial monitoring and reporting of workplans, which calls for mandatory quarterly progress reports on the implementation of workplans to be prepared by implementing partners. UNFPA explained that the entity was working on a guidance note for the country offices to improve their capacity to manage implementing partners, specifically in relation to the collection and documentation of results. The Board considers that the absence of comprehensive progress reports creates difficulties in assessing progress in the implementation of activities programmatically and financially in comparison with workplan targets.

(d) Software acquisition, development and maintenance

In 2015, UNFPA discontinued 9 out of the 40 internally developed applications which existed in 2014 and consolidated their respective functionalities in other applications. However, over the same period, a total of 111 change requests related to major systems (the strategic information system and the global programming system) were raised one month after the launch of those systems.[1] The Board considers that the submission of such requests after the launch of a system signifies a lack of a clearly defined software development life cycle, supported by guidelines to ensure that requirements are well identified, specified and attained and therefore results in a system or applications which do not meet requirements and hence need to be changed. The Board further found that UNFPA had not established mechanisms or processes to capture all the relevant costs of internally developed software systems to facilitate the capitalization of intangible assets.

(e) Review of information and communications technology policies

The Board review of the UNFPA ICT environment identified deficiencies such as: (a) 13 out of the 15 ICT policies had not been reviewed since 2012; (b) although UNFPA had a project of migrating mail service and file storage to the "cloud" (Google hosting), security policies were not updated to address the risks associated with those changes (an example of such risks is the confidentiality of information stored and shared in the Google drive that might compromise staff members' e-mails through phishing attacks); and (c) the lack of a policy on the classification of information to control access to the information shared on the Google drive, which can lead to unauthorized access to information. The Board considers that those deficiencies are mainly owing to the lack of a regular information security risk assessment and review of ICT policies to identify control requirements in line with changes in technology and the ICT environment.

[1] The strategic information system is an internally developed application, while the global programming system is a customization of the Atlas system.

Recommendations

The Board has made several recommendations based on its audit that are contained in the body of the present report. The main recommendations are that UNFPA:

(a) **(i) Develop global risk mitigation strategies that cover all UNFPA operations and establish specific strategic and fraud risk response strategies to address additional risks identified by business units in their specific operational environments; and (ii) document the risk assessment process and establish comprehensive risk assessment plans for strategic and fraud risks to enable the establishment of long-term methodologies, criteria and risk matrices and a time frame for addressing the established risks;**

(b) **(i) Consider introducing new features into the global programming system to include non-financial information from the progress reports of implementing partners; and (ii) ensure that the correct budget information is recorded in the system and reconciliation of the budget information is made between the amount to be sent to commitment control and workplan amounts for such activities;**

(c) **(i) Continue with initiatives to improve the capacity of implementing partners such that workplan progress reports reflect the achievement of results at a particular period of time and clearly assess the progress made towards the planned targets; and (ii) conduct quality assurance upon receipt of the progress reports and address the noted weaknesses;**

(d) **(i) Establish and implement guidelines for the software development life cycle and include all necessary controls at each stage of the process to ensure that systems or applications are developed in accordance with design specifications, development and documentation standards, quality assurance requirements and approval standards; and (ii) establish a mechanism to capture the costs of internally developed software;**

(e) **(i) Conduct information security risk assessments and review ICT policies annually; (ii) develop and implement an information classification policy; and (iii) adopt internationally accepted standards in managing information security for controls that have a substantial impact on the organization.**

Key facts	
$474.44 million	UNFPA budget for development and management activities
$992.80 million	Revenue reported (including $278.6 million due for payment in future years)
$977.38 million	Total expenses
155	Number of countries served by UNFPA
1,581	Number of implementing partners working with UNFPA
1,936	UNFPA local staff
708	UNFPA international staff
11,343	Number of programme activities implemented by implementing partners
$263.55 million	Total amount spent by implementing partners in 2015 for delivery of programme activities on behalf of UNFPA
$713.83 million	Expenses spent directly by UNFPA in 2015

A. Mandate, scope and methodology

1. The United Nations Population Fund (UNFPA) is an international development agency that assumes a leading role in the United Nations system in promoting population programmes. The Fund is mandated to build the knowledge and capacity to respond to needs in population and family planning; to promote awareness of population problems in both developed and developing countries; and provide possible strategies to deal with population problems in the forms and means best suited to the needs of individual countries.

2. UNFPA works with more than 2,600 staff serving 155 countries and in partnership with other United Nations agencies, Governments, civil society and the private sector to support gender-sensitive policies and programmes.

3. The Board of Auditors has audited the financial statements of UNFPA and has reviewed its operations for the financial year ended 31 December 2015, in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. The latter standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

4. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNFPA as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with IPSAS. That included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing body and whether revenue and expenses had been properly classified and recorded in accordance with the UNFPA Financial

Regulations and Rules. The audit included a general review of the financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

5. The audit was carried out through field visits to country offices in Afghanistan, Burundi, Liberia, Mozambique, Pakistan and Somalia, as well as a review of financial transactions and operations at headquarters in New York.

6. In addition to the audit of the financial statements, the Board carried out reviews of UNFPA operations in accordance with regulation 7.5 of the Financial Regulations and Rules of the United Nations. Specific areas covered during the audit included internal controls on risk management, programme management, results-based management, human resources management, procurement and contract management, inventory management and ICT.

B. Findings and recommendations

1. Follow-up on previous recommendations

7. The Board noted that, of the 20 recommendations made for the year 2014 and previous years, 14 (70 per cent) had been fully implemented and 6 (30 per cent) were under implementation. Annex I to the present report contains a detailed commentary on the status of previous recommendations. The six outstanding recommendations await the establishment of new policies and management tools to strengthen UNFPA operations.[2] Management is urged to expedite full implementation of the outstanding recommendations.

2. Financial overview

Financial position

8. The total assets of UNFPA decreased from $1,295.2 million in 2014 to $1,216.6 million as at 31 December 2015. UNFPA also reported a decrease of $145.54 million of total liabilities from $567.77 million in 2014 to $422.23 million in 2015. The decrease in assets and liabilities is mainly attributed to a decrease of $98.5 million in the funds held by UNFPA as the administrative agent of joint programmes on behalf of other organizations of the United Nations system and changes in major assumptions regarding the actuarial valuation of defined benefit obligations, for example an increase in the discount rate for after-service health insurance from 4 per cent in 2014 to 4.38 per cent in 2015.

Operating results

9. For 2015, UNFPA reported total revenues of $992.80 million (2014: $1,025.13 million) and total expenses of $977.38 million (2014: $1,002.12 million), representing a surplus of $15.42 million (2014: $23.01 million), as shown in figure II.I. The decrease in the surplus is a consequence of a higher level (82 per cent) of programme implementation for earmarked and unearmarked resources in 2015 compared with 2014 (81.4 per cent).

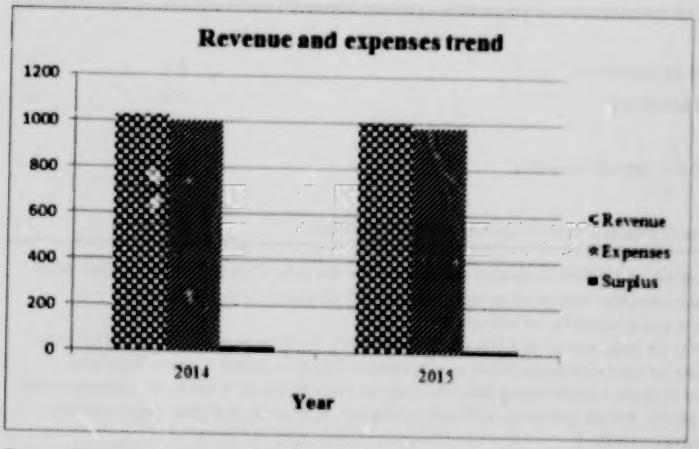
[2] The recommendations relate to a policy for decentralized offices, implementation of a management tool for consultants, the global programming system, enhancement of the supply chain and clearance of salary advance accounts.

10. Of the total revenues, $543.27 million (2014: $491.74 million) related to earmarked contributions, $392.25 million (2014: $471.91 million) related to unearmarked contributions and $57.28 million (2014: $61.48 million) related to other sources of revenues, as shown in figure II.II. Total revenue has slightly decreased by 3 per cent, or $32.33 million, owing to a decrease in unearmarked contributions. Earmarked contributions have increased by 10 per cent, reflecting the fact that UNFPA activities continue to be predominantly earmarked and executed on the basis of specific donor requirements.

Figure II.I

Revenue, expenses and surplus of UNFPA for 2014 and 2015

(Millions of United States dollars)

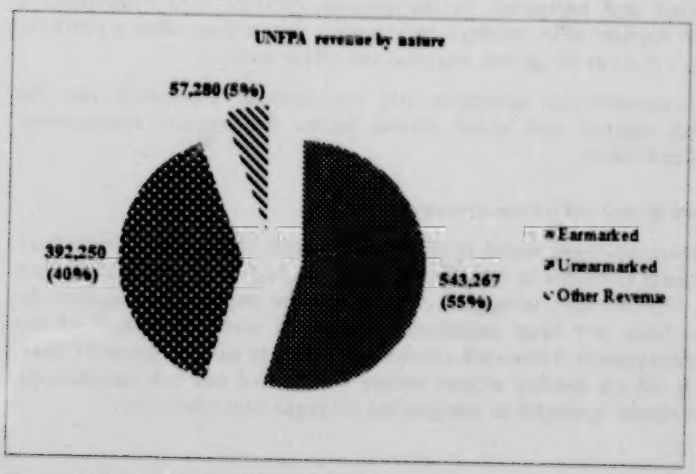


Source: UNFPA financial statements 2015.

Figure II.II

Revenue of the United Nations Population Fund, 2015

(Millions of United States dollars)



Source: UNFPA financial statements 2015.

Ratio analysis

11. The analysis of the main financial ratios (see table II.1) confirms that UNFPA has sufficient current assets to meet its short-term obligations with its liquid assets. Furthermore, the increase in the current ratio from 2.5 to 4.5 is due to a decrease in current liabilities, attributed to the decrease in funds held by UNFPA as the administrative agent of joint programmes on behalf of other organizations of the United Nations system.

Table II.1
Ratio analysis

Description of ratio	*31 December 2015*	*31 December 2014*
Current ratio[a]		
Current assets: current liabilities	4.5	2.5
Total assets: total liabilities[b]	2.9	2.3
Cash ratio[c]		
Cash plus investments: current liabilities	2.6	1.7
Quick ratio[d]		
Cash plus investments plus accounts receivable: current liabilities	3.8	2.1

Source: Board analysis of UNFPA financial statements for the period ended 31 December 2015.

[a] A high ratio indicates the ability of an entity to pay off its short-term liabilities.

[b] A high ratio is a good indicator of solvency.

[c] The cash ratio is an indicator of the liquidity of an entity by measuring the amount of cash, cash equivalents or invested funds there are in current assets to cover current liabilities.

[d] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to convert into cash. A higher ratio means a more liquid current position.

3. Internal control system

12. In 2015 UNFPA established enterprise risk management procedures to ensure that a wide range of governance, strategic, operational and fraud risks were identified, analysed and mitigated. In the process, UNFPA also established a computerized risk register in its strategic information system that offers a portfolio view of the entity's risks at the global, regional and office level.

13. The Board assessed the enterprise risk management framework and the computerized risk register and noted several issues that require management attention, as outlined below.

Non-establishment of risk mitigation strategies

14. Different processes were stated in the enterprise risk management framework for the business units to follow in identifying, analysing and documenting corporate and fraud risks. Nevertheless, mitigation strategies to be implemented against the established risks have not been specified, as required under section 9 of the enterprise risk management framework on control activities and treatment of risks. In addition, while all six country offices visited had carried out risk assessments, three had not developed strategies to mitigate the strategic risks identified.[3]

[3] Burundi, Mozambique and Somalia.

15. Further, while section 8 of the enterprise risk management framework requires country offices to identify additional risks specific to their operational environment, the office in Somalia had not assessed and identified its additional strategic and fraud risks, despite the existence of various risks, such as political, cultural and economic risks and high vacancy rates, that affect its operations. Although five of the six country offices visited by the Board had identified additional risks specific to their operational environment, they had not documented mitigation measures in their computerized risk register for the identified risks. The Board considers that the weaknesses are mainly due to the absence of a module in the strategic information system for the documentation of measures to be taken to address risks identified in the risk assessment process.

16. UNFPA stated that a risk response module for fraud risks and dynamic dashboards for strategic and fraud risks were currently under development by its management information system team. Thus, specific risk mitigation measures for the country offices would be documented in the strategic information system on an ongoing basis and simplified risk scoring would be rolled out in future to solve the problem of entering specific risk mitigation measures in the enterprise risk management framework across the organization.

17. While acknowledging management efforts in this area, the Board considers that development of the module and dashboards for managing risks should be done as a matter of urgency to provide staff with an appropriate basis for identifying risks and taking action when an event occurs.

18. **The Board recommends that UNFPA: (a) develop global risk mitigation strategies that cover all its operations; and (b) ensure that the country offices identify clearly the additional risks and response strategies that are specific to them and document them in the system.**

Absence of a risk assessment plan and non-documentation of the risk assessment process

19. While the country offices visited had identified and ranked risks as critical, high, medium or low, the risk assessment process to arrive at those risk ratings was not documented. For instance, the office in Burundi reported that it had performed a fraud risk assessment in September 2015, but it had no supporting documentary evidence. Further, the Board noted that the country offices visited had no comprehensive strategic and fraud risk assessment plans that would guide them in assessing those risks. The Board considers that the deficiencies noted were mainly caused by inadequate staff training on the risk assessment process at different operational levels.

20. UNFPA stated that the country offices would establish risk assessment plans with the support of regional offices and headquarters. The country offices would also request regional offices to review staff profiles, with a view to strengthening their capacity in risk management. The Board considers that risk assessment plans and the documentation of risk assessment procedures are crucial in forecasting the consequences of risks, ranking the risks identified and designing a clear mitigation plan and time frame for addressing risks.

21. **The Board recommends that UNFPA ensure that country offices (a) document the risk-assessment process and establish a comprehensive risk-**

assessment plan for strategic and fraud risks to enable the establishment of long-term methodologies, criteria and risk matrices and a time frame for addressing the established risk; and (b) continue training staff on risk assessment, identification and mitigation to increase awareness and understanding of the risks affecting UNFPA.

Non-establishment of the criteria for risk ranking

22. In the process of ranking risks, the Board found that all the country offices visited ranked risks without establishing criteria and risk matrices to support the ranking process in establishing risk levels. The Board also noted that the additional risks identified by the offices in Afghanistan, Burundi, Liberia and Pakistan had not been ranked and assigned to focal points, as required by the risk assessment process. The Board considers that the deficiency is mainly due to the inability of the system to provide room for the country offices to document additional risks and their ranking and assign them to focal points.

23. Further, at the country offices visited, the Board noted inconsistencies in defining the term "low risk." The definition of low risk at the country offices was based on the likelihood of occurrence and whether, if the event occurred, it would have a minimal impact on the activities and operations of the office. However, the strategic information system defines low risk as a condition "where risk does not apply". That resulted in inconsistencies during the identification and ranking of risks, where the country offices ranked the risks as "not applicable", while they did actually exist, although with minimal impact on the operations of the country offices.

24. The Board is of the view that UNFPA might consider adopting the definition used by the country offices for the whole organization, because it is more realistic, focusing on the likelihood of the occurrence of an event and its impact. The use of "not applicable" might be misleading because such a risk might have a significant effect on the organization over time.

25. **The Board recommends that UNFPA: (a) ensure that the country offices prepare risk matrices and define the criteria used for the ranking of identified risks; (b) review the definition of "low risk" for consistency in risk ranking, which will be used in all business units; and (c) modify the strategic information system to include a facility for ranking additional strategic risks identified by the country office and assigning focal points for them.**

4. Programme management

Use of the global programming system for workplan and budget management

26. In November 2014, UNFPA launched an electronic programme management system known as the global programming system. The system is an Atlas module used for the creation, management and storage of workplans and the management of budgets for programme activities. The user guide requires the budgeted amount shown in the commitment control for workplan activities to be the same as the workplan amounts for such activities.

27. The Board found that 25 (46 per cent) implementing partner workplans and budgets in four out of the six country offices visited were different from the budgets

sent to commitment control for the same activities.[4] The total budget sent to commitment control was higher than the amount in the signed workplans by $5.97 million. The Board considers that the differences arise because of the lack of segregation of duties and functions in the global programming system, a failure to update budget revisions and the creation of workplans outside the global programming system.

28. In addition, the user guide to the global programming system requires workplans to be created in the system, submitted to programme personnel, approved by the head of unit and signed by the partners concerned. It further requires that workplans be uploaded into the system after they have been signed by the implementing partner. Notwithstanding that requirement, the Board noted several instances of non-compliance: for example, seven revised and agreed implementing partner workplans at the Liberia and Mozambique country offices had not been uploaded into the global programming system.

29. Further, the global programming system does not generate non-financial information, such as quarterly progress reports that would show the extent to which the activities implemented by each implementing partner contribute to the achievement of expected results for UNFPA.

30. UNFPA informed the Board that management was currently reviewing the design of the global programming system and would identify additional safeguards to address the recommendations. The Board is of the view that the lack of updates and workplan revisions in the global programming system affects the accuracy of budget and expenditure records.

31. **The Board recommends that UNFPA: (a) ensure that the correct budget information is updated in the global programming system and that reconciliation of budget information is made between the amounts to be sent to commitment control and the workplan amounts for such activities; and (b) consider introducing new features into the system to include non-financial information on the progress reports of implementing partners.**

Quality assurance in the workplan progress reports

32. Part B, section III, of the UNFPA policy on the financial monitoring of and reporting on workplans requires the implementing partner to prepare quarterly progress reports for the workplans that have been implemented. The reports should include information on the status of implementation of activities, justification for delays and a description of the progress made towards achieving the workplan annual target(s), using the target indicator(s). The standard progress report requires the inclusion of information on how the implementation of activities is progressing, both programmatically and financially, compared with what was planned and how progress is being made towards the intended workplan budget and targets.

33. The Board noted that 34 (65 per cent) progress reports in four of the six country offices visited were not detailed enough, as they lacked clear explanations as to whether the progress achieved was in line with the anticipated results and agreed budgets.[5] The reports did not document the uncompleted activities in each quarter and the reasons for the delay in implementing them. Further, they did not

[4] Afghanistan, Liberia, Mozambique and Somalia.
[5] Burundi, Liberia, Mozambique and Somalia.

describe clearly how the activities that had been completed contributed to the achievement of the specific indicators in the workplans. For instance, at the offices in Burundi and Mozambique, the Board found that 18 progress reports lacked details, such as the cumulative expenditures for completed activities and the status of activities that had been implemented, which are crucial for UNFPA programme managers monitoring project activities.

34. UNFPA stated that it would include programme progress reports in the global programming system and link them with workplans to improve the quality assurance process and the monitoring of workplans. In addition, the entity was working on a guidance note for the country offices to improve the capacity to manage implementing partners, specifically in terms of the collection and documentation of results. The Board is of the view that the absence of comprehensive progress reports limits the entity's ability to assess programmatic and financial progress in the implementation of activities, in comparison with workplan targets.

35. **The Board recommends that UNFPA: (a) continue with its initiatives to improve the capacity of implementing partners such that workplan progress reports reflect the achievement of results at a particular period of time and clearly assess the progress made towards planned targets; and (b) conduct quality assurance upon receipt of the progress reports and address any weaknesses noted.**

Documentation on the determination of support cost rates

36. The UNFPA Financial Regulations and Rules require support costs reimbursable to implementing partners for the administration of programme activities financed from UNFPA funds to be limited to a maximum of 12 per cent of direct programme costs for non-governmental organizations (NGOs), 7.5 per cent for other United Nations agencies and no support costs for government implementing partners. Those costs need to be apportioned between UNFPA and the implementing partners on a logically derived basis.

37. The Board found that in five of the six country offices visited there were 33 (57 per cent) workplans involving the sum of $3.3 million signed with NGO implementing partners at support cost rates varying from 0 to 12 per cent, without the criteria or the basis used to determine the rates for support costs for each implementing partner having been documented.[6] Similarly, the Board found that equal support cost rates were awarded to various implementing partners, irrespective of the wide disparity in their direct programme costs and the nature of their activities. For example, at the offices in Burundi and Mozambique, the support cost rate for all implementing partners was 12 per cent, but they had different direct programme costs.

38. The UNFPA guidance note includes a provision on the need for a mutual agreement between UNFPA and its implementing partners on the support cost rate and states that it is the responsibility of the head of the office to ensure that the UNFPA staff member(s) has or have negotiated a favourable support cost rate for UNFPA. However, it does not provide guidance on documenting the basis or criteria used by UNFPA and its implementing partners to determine the agreed support cost rates. The Board is concerned that the absence of such guidance increases the risk of

[6] Burundi, Liberia, Pakistan and Somalia.

there being divergent views in agreeing support cost rates with implementing partners and the justification to support the applied rates being lacking.

39. UNFPA stated that the existing guidelines were meant to allow the flexibility to accommodate operational realities in the determination of support cost rates. Nevertheless, it will issue an improved guidance note for the country offices on documenting the criteria or basis for determination of the support costs agreed with implementing partners.

40. **The Board recommends that UNFPA introduce a requirement in the guidance note for country offices to document the whole process of determining support cost rates with implementing partners, including the criteria or basis applied when negotiating support cost rates.**

5. Procurement management

Purchase orders issued after delivery of goods and services

41. UNFPA procurement procedures specify three contractual instruments, namely contracts for professional services, long-term agreements and purchase orders, where the orders act as the primary contracting instrument for long-term agreements and the procurement of other goods which do not fall under long-term agreements. For contracts for professional services, the contract itself acts as the primary contracting instrument.

42. The Board found that 41 (25 per cent) purchase orders amounting to $0.4 million at three out of the six country offices visited were raised in Atlas after delivery of the goods or services.[7] That means that the purchase orders were not used as the primary contracting instruments and the tool for encumbering funds, as required by procurement procedures and the internal control framework.

43. UNFPA attributed the deficiency to the use of manual purchase orders which were non-Atlas and explained that the Procurement Service Branch would instruct country offices to (a) stop using non-Atlas purchase orders with immediate effect; (b) issue Atlas purchase orders at the point of establishing the contracts and use that as part of establishing contractual and financial commitments with the vendors; (c) use Atlas-generated purchase orders as the primary contracting tool when purchases of goods and services were done under the modalities of purchase orders and long-term agreements and share Atlas purchase orders with the suppliers under those two modalities with a request to suppliers to accept the purchase orders in writing.

44. The Board is concerned that the use of manual purchase orders means that funds have not been encumbered in the Atlas system, which may lead to misstatements of commitments disclosed in the financial statements. The Board considers that section 11.3 of the UNFPA procurement procedure is clear that procurement requests must be converted into purchase orders in Atlas. In that regard, the initiatives explained should be implemented as a matter of urgency to avoid further incidents of non-compliance.

45. **The Board recommends that UNFPA: (a) use the Atlas-generated purchase order as the primary contracting tool for the purchase of goods and for encumbering funds before delivery of goods and services, to minimize the**

[7] Liberia, Mozambique and Pakistan.

risk of misstating commitments and to ensure compliance with the procurement procedures and internal control framework; and (b) ensure that the Procurement Service Branch monitors the country offices to ensure that they comply with the procurement rules and regulations.

6. Results-based management

Use of the strategic information system in results-based management

46. Results-based management means implementing development assistance and managing the organization in a way that focuses on the sequence of desired results to inform decision-making in the design, resourcing and delivery of programme activities, as well as for accountability and reporting. UNFPA business units use the myResults tool embedded in the strategic information system to plan the management and development results they aim to achieve during a year and to monitor progress towards those results on a quarterly basis.

47. The Board reviewed the myResults tool under the planning and monitoring module at the country offices visited and noted that the baselines, targets and results planned to be achieved were not clearly defined. In addition, the benchmarks against which the results could be measured and the sources of information for the problems of outputs were not stated in the system. For instance, in Mozambique, the Board found that the baselines, targets and results expected to be achieved by the office for human resources management, resource mobilization and the empowerment of women were not defined and stated during the planning phase. That creates difficulties in measuring and understanding the actual objectives to be achieved. It also causes difficulties in measuring the results achieved, in the absence of benchmarks against which to measure them.

48. Further, the Board noted that "milestones" that contribute to the achievement of targets were not clearly stated and could not be easily measured. The qualitative targets to be achieved were not included in the stated output indicators, only the quantitative targets respond to the indicators in question. For instance, a review of the second quarter under the monitoring module noted that under the milestone of human resources management, the response to the target of "number of applications increased for G-6 posts and above" was "yes", whereas the country office was required to state the number of applications.

49. The Board is of the view that without clearly defining the results to be achieved, sources of data, baselines and targets, the results of the actual operations of the programmes cannot be sufficiently measured and reported by the country offices. In addition, non-inclusion of qualitative targets in output indicators could limit the clarity of the reported results.

50. UNFPA informed the Board that before finalization and submission of plans for approval, the myResults system automatically checks that all indicators of programme cycle outputs and office-defined outputs have a baseline value, a baseline year, a target and one milestone for at least one quarter. In addition, when reporting, and before the finalization and submission for approval of annual reports, the system checks that current values have been reported and if the targets are not met, it checks to see whether there is a reason for underachievement and if comments have been provided. Management promised to continue improving the existing process of quarterly monitoring of results at all levels.

51. **The Board recommends that UNFPA: (a) consider improving the quality of indicators to express the qualitative targets to be achieved and clearly define the outputs based on results to be achieved for smooth quarterly monitoring and reporting; and (b) develop quality assurance guidance and mechanisms to ensure that milestones can be clearly measured during the monitoring and reporting phase and that they are designed to track the achievement of indicator targets.**

7. Human resources management

Management of the online eService application

52. The Board noted differences in leave records between the reported balance in the eService application and the leave record cards generated from an online leave application. For example, for the leave balances of 6 out of 13 staff members (46 per cent) the Board reviewed, it found a discrepancy of nearly 70 days between their leave record cards and the balances reported in the eService application. The Board also recalculated the leave balances for 2,564 out of 2,644 UNFPA staff members and noted differences in the leave days of 7 staff members between the eService application, which had a total of 33.5 leave days, while the recalculated values showed 63.5 leave days.

53. Further, the Board noted that the annual leave report run from the online system included the leave balances of six separated staff members. Those leave balances had to be removed manually from the annual leave report supporting the financial statements.

54. UNFPA stated that the reason for the six separated staff members showing on the leave balance reports was the failure of leave administrators to reset the leave balance values to zero upon payment of the appropriate amounts in lieu of the annual leave balance to the separating staff. It also stated that in collaboration with the UNDP Atlas technical team it would ensure that leave balances for separated staff did not reappear in the Atlas leave balance reports. In addition, it would send reminders to leave administrators to reset to zero all leave balances for separated staff.

55. The Board is of the view that UNFPA needs to improve the functionality of the system so that it captures all necessary data, including adjustments made during the year to ensure that any annual leave report produced from the system is reliable without being subject to manual correction.

56. **The Board recommends that UNFPA: (a) take corrective action on the apparent instances of the wrong data entry in order to improve the accuracy and reliability of reports on annual leave produced by the system; and (b) continue cleaning up the data in the system so that the reports produced do not contain the leave balances of separated staff.**

Management of recruitment of holders of service contracts

57. The Board noted that 22 (33 per cent) out of 67 service contract holders in Afghanistan, Liberia, Mozambique and Pakistan were recruited to perform core functions of a continuing nature, contrary to paragraph 4 (b) of the UNFPA service contract policy, which requires service contractors to be recruited for non-core support services. For example in Afghanistan, there were 38 service contract holders

(more than 50 per cent of the staff), of whom 10 (26 per cent) were responsible for core activities, such as human resources management.

58. UNFPA attributed the use of the service contracts in core operations to increased activity at the country offices. The Board was also informed that UNFPA had conducted a one-off review of all existing service contracts to adjust contract modalities where necessary. UNFPA human resource strategic partners will examine new terms of reference for service contracts on an ongoing basis, to ensure that the service contract policy is being complied with. The Board considers that the use of service contract holders to carry out core activities is contrary to UNFPA policy and distracts the entity from building internal capacity, which is a more reliable solution.

59. **The Board recommends that UNFPA: (a) carry out a human resources needs assessment and review the existing service contracts so as to reduce their use for UNFPA core functions; and (b) monitor the recruitment process of service contract holders to ensure that they are recruited for non-core functions that are mandated by the UNDP service contract handbook adopted by UNFPA.**

8. Inventory management

Changing of the inventory management system before updating the inventory policy

60. The UNFPA inventory policy and procedures focus on the recording, tracking and reporting of inventories, with a particular emphasis on the operational control aspects and financial reporting requirement for the inventories held at the field offices, whether purchased by UNFPA or obtained through a contribution in kind.

61. UNFPA has developed a shipment tracker integrated into the Atlas system to transform the management of in-country logistics. It replaces the old system (channel V2) and was launched in all field offices for the management of inventory movements and records in October 2015.

62. The Board found that the current inventory policy and procedures manual had not been updated to incorporate the procedures of the new inventory system in handling and managing inventories. While the new system has been in use by country offices globally, the policies and procedures on inventory management still contain directives meant for the old system.

63. UNFPA informed the Board that a comprehensive review of the inventory policies and procedures manual would be undertaken and that management intended to use the time between the roll-out of the shipment tracker and the policy update to assess the performance of the system and collect lessons learnt. That information would be used to strengthen existing processes, which would be further reflected in the revised policy document.

64. **The Board recommends that UNFPA: (a) speed up the updating of the inventory policy and procedures manual for consistency and uniformity of contents and directives in the new inventory system; and (b) ensure that in future, for any changes to the system, policy has to be updated in line with the adoption of the new system.**

Roles and responsibilities of personnel involved in the inventory management process

65. The inventory management policy and procedures assign responsibilities for inventory management to regional Directors and heads of office and to the Chiefs of the Commodity Security and Procurement Service Branches. The Chief of the Commodity Security Branch is responsible for overseeing and supporting inventory management at the country office level, while the Chief of the Procurement Service Branch is responsible for managing the inventory under the control of the Branch. The responsibility of the Finance Branch is limited to supporting the inventory valuation process, while the regional Directors are responsible for the supervision and control of inventory operations at the country office level within their delegated authority.

66. The Board reviewed the roles and responsibilities of inventory management personnel in the inventory manual (2012) and the organization handbook and noted the following deficiencies:

(a) The manual is silent on the extent of the involvement of regional offices as the oversight bodies in the management of the inventory process;

(b) The manual does not define the role and responsibilities of the programme personnel responsible for the programme outputs which drive the procurement and supply of inventory;

(c) Standard job descriptions and the competencies required for the posts of inventory focal points have not been established.

67. UNFPA agreed to update the existing policy to make the description of the roles and responsibilities of different parties as related to inventory management more comprehensive.

68. **The Board recommends that UNFPA: (a) clearly include in the manual the roles, responsibilities and scope of the oversight bodies and other personnel involved in the inventory management process; and (b) design a standard job description for the role of inventory focal point, including the competence requirements.**

9. Review of financial statements

69. UNFPA is reporting for the fourth year under IPSAS. The Board noted that its implementation of IPSAS is progressing well, although a few areas have been identified as having scope for improvement, as presented in the paragraphs below.

Valuation method of inventories

70. There are inconsistencies between the UNFPA IPSAS policy on inventory (January 2013) and the inventory manual (November 2012) regarding the methods for determination of inventory costs. While the IPSAS policy requires the organization to use a weighted average as the cost formula for valuation of inventories, the inventory manual requires the internationally procured inventories to be valued based on a weighted average cost methodology, locally procured inventories held in stock by field offices to be valued based on cost information imputed by the inventory focal points and the valuation of inventory in transit to be based on the actual United States dollar amount of the orders assessed by the

receiving offices as in transit at the end of the year. For example, in the Procurement Service Branch, the cost of inventories in stock was determined as the weighted average cost, whereas at the country offices in Burundi and Pakistan, the cost was determined based on the actual purchase price paid by UNFPA. The Board is of the view that the non-alignment of guidance on inventory valuation creates confusion with regard to the correct guideline to use.

71. Further, an ageing inventory balance of $5.4 million older than six months in the financial statements included inventories of $1.6 million, which were valued using the original purchase price instead of the lower of cost or current replacement cost, as required under paragraph 17 of IPSAS 12 on inventory. UNFPA stated that it had not made that comparison owing to lack of information on estimated current replacement costs.

72. UNFPA informed the Board that management planned to conduct a comprehensive revision of the inventory management policy in 2016, which would include updating the section on the measurement of inventory cost. It also stated that out of inventories valued at $5.4 million, information was available on the estimated current replacement cost of inventories valued at $3.8 million, on which a review had been conducted to make the comparison between the carrying amounts and the estimated current replacement costs.

73. While the impact of the discrepancies noted by the Board are not considered material to the financial statements as a whole, the Board considers that the failure to make a comparison between the lower of cost or current replacement cost was mainly due to a lack of instructions from head office to the field offices during the period of stocktaking and closing of accounts. The Board considers that establishing a procedure or mechanism will enable UNFPA to obtain information on the estimated current replacement costs of all inventories for financial valuation, as required by IPSAS 12.

74. **The Board recommends that UNFPA: (a) align the inventory valuation policies and guidelines so as to maintain consistency in determining the cost of inventory; (b) perform a comparison between cost and net replacement cost for all inventories; and (c) establish a mechanism that captures current replacement costs of all inventories to improve inventory valuation during stocktaking and the closure of accounts.**

Review of reserve for field accommodation

75. The reserve for field accommodation was approved by the Governing Council at its thirty-eighth session in 1991 at the level of $5 million and the Executive Director was authorized to withdraw funds from it to support the UNFPA share of construction costs. In 2005, the reserve was introduced into the UNFPA Financial Regulations and Rules (Rev.7) and its purpose was expanded to cover funding for "housing for internationally recruited, UNFPA-financed field personnel and for office accommodation".

76. The Board reviewed the reserve for field accommodation fund and noted that UNFPA had no plan for the utilization of funds expected to be withdrawn from the fund at a particular moment. The funds are spent on a need or a contingent basis. In addition, the future cost projections for construction and major renovations of both UNFPA offices and field accommodation that are charged under the reserve fund have

not been identified and incorporated into the integrated budget, despite the process currently under way to decentralize the UNFPA office structure, affecting the regional, subregional and country offices. Further, the Board noted that the reserve fund had not been reviewed in the previous 10 years. For example, the Board noted that for the years 2013, 2014 and 2015 UNFPA had spent $1.1 million, $1.8 million and $0.38 million respectively, amounts which signify that the level of spending is low compared with the level of $5 million approved by the Governing Council. That suggests that it may be necessary to review the level of the reserve fund.

77. UNFPA informed the Board that management acknowledged the need to prepare and compile cost projections to incorporate into the budget costing exercise for the years ahead. Management would also revisit the appropriate financial threshold for the reserve for field accommodation.

78. **The Board recommends that UNFPA: (a) incorporate the cost projections on the use of the reserve for field accommodation fund into its integrated budget for the period 2018 to 2021; and (b) review the threshold amount of the reserve for field accommodation with regard to the changing environment.**

Disclosure of research and development costs expensed during the year

79. According to the UNFPA IPSAS policy on intangible assets, internally generated intangible assets are recognized if they meet a minimum threshold of $100,000. If they do not meet the recognition criteria, paragraph 125 of IPSAS 31 on intangible assets requires an entity to disclose the aggregate amount of research and development expenditure recognized as an expense during the period. UNFPA policy on intangible assets states that internally generated intangible assets pose some additional challenges in terms of recognition and measurement and may require separate tracking tools, such as timesheets and modified asset management information systems. The main costs to be tracked relate to staff involved in software development and supplies and services from third parties.

80. In the course of the audit, the Board noted nine information system software applications that were brought into use during the year ended 31 December 2015. Those applications were below the recognition threshold and not separable, and therefore did not meet the criteria for recognition as intangible assets in order to be capitalized. However, the Board noted that the aggregate amount of the applications was not disclosed in the financial statements, contrary to the requirement of paragraph 125 of IPSAS 31 on intangible assets. Further, the Board noted that UNFPA had no mechanism or tool to track the research and development costs involved in the development of internally generated software. In that regard, the aggregate research and development costs are not quantifiable in order to determine if they meet the threshold.

81. In addition, the Board noted that the amortized intangible assets recorded on the trial balance and asset management module use the same profile in the asset management module, or the same account codes, to record costs, accumulated amortization and amortization expenses for externally acquired software and internally developed software. As a result, UNFPA recognized the full amount of intangible assets at a cost of $1.13 million under one account code entitled "software — externally developed" although only $0.78 million (69.16 per cent) related to externally acquired software and the remaining $0.35 million (30.84 per cent) was accounted for by internally developed software.

82. UNFPA explained that its interpretation of the standards on the disclosure of the research and development costs was that such disclosure was applicable to intangible assets but that the software in question was not an intangible asset. However, to improve the recording of intangible assets, it would set up a separate profile in the asset management module for software developed internally and separate account codes to record costs, accumulated amortization and amortization expenses for externally acquired software and software developed internally. Despite the explanation offered by UNFPA on the issue of disclosure, the Board still considers that the software in question lacks the capitalization criteria needed to be recorded as an intangible asset and therefore the related research and development costs, which were recognized as expenses in 2015 as part of staff costs, should be disclosed in accordance with paragraph 125 of IPSAS 31.

83. **The Board recommends that UNFPA: (a) disclose the aggregate amount of research and development for the items of an intangible asset nature, which were recognized as an expense during the reporting period; (b) set up an additional asset profile for software developed internally; (c) create separate account codes to record costs, accumulated amortization and amortization expenses for externally acquired software and software developed internally; and (d) develop a tool or mechanism to track the cost of internally generated software.**

10. Information technology

Review of information and communications technology policies

84. Section A (1) of the ICT security policy states that in compliance with organizational mandates and generally accepted industry best practices, UNFPA provides for the security and privacy of the data stored on, redirected through, or processed by its technology resources. In addition, each ICT-related policy contains a section which states that the policy will remain in force without time limit and will be reviewed annually to ensure it remains relevant.

85. The Board found the following deficiencies related to the UNFPA information and communications technology policies:

(a) Thirteen out of the 15 policies had not been reviewed since 2012, contrary to the security policy;

(b) The policies neither address the consequences if someone violates them, nor provide guidance on the handling of policy exceptions, compliance reviews, awareness training, human resources and responsibilities for information security management, including reporting of information security incidents. The Board considers that those deficiencies are mainly owing to the lack of a regular risk assessment in information security to identify control requirements in line with the change in the ICT environment;

(c) UNFPA had a project to migrate its mail service and file storage to the cloud (Google hosting). However, the security policies were not updated to address the risks associated with those changes. They include risks such as to the confidentiality of the information stored and shared on the Google drive and the compromising of the emails of staff members through phishing attacks, which have already been experienced by staff members;

(d) UNFPA had no information classification policy to control access to the information shared on the Google drive, which could lead to unauthorized access to information. The ICT security policy did not stipulate the need for information security awareness training among staff, the lack of which could lead to the disclosure of confidential information;

(e) The disaster recovery site was moved to Copenhagen and the backup strategy was updated to accommodate the changes; however, the server backup policy was not updated to reflect the changes in the backup strategy to ensure standardization and effectiveness in performing backups.

86. UNFPA explained that management had already started the review and revision of all ICT policies and was ensuring that the review/revision dates were reflected in the policies for ease of reference. Further, the integrated document management system (iDocs) project which had various deliverables, including information classification, had been initiated. In addition, a study would be undertaken in 2016 for the adoption and implementation of the relevant ISO 27002 key controls that would have a significant impact on the organization.

87. The Board is of the view that changes in the ICT environment often prompt the need for a regular review of ICT policies to address the risks associated with those changes. A lack of controls to mitigate the risks associated with the changes can result in financial loss and reputational damage to the organization.

88. **The Board recommends that UNFPA: (a) conduct an information security risk assessment and review its ICT policies annually; (b) develop and implement an information classification policy; and (c) adopt internationally accepted standards in managing information security for controls that will have a significant impact on the organization.**

Information and communications technology project management

89. In 2011, UNFPA adopted a methodology called PRINCE2 (Projects in Controlled Environment) for the governance and management of its ICT projects. The methodology provides greater control of resources and the ability to manage project risks more effectively by focusing on business justification, defining the organization structure for the project management team and providing a product-based planning approach, emphasizing the division of the project into manageable and controllable stages. It also adopted a software development methodology called Agile for the management of ICT projects which means that ICT projects can either follow PRINCE2 or Agile, based on the criteria set by UNFPA. There are three criteria for using PRINCE2, as follows: (a) if ownership involves more than one division; (b) the cost is more than $50,000; and (c) development time is more than six months; otherwise the Agile software development methodology, based on iterative and incremental development, should be used.

90. The Board reviewed the current project portfolio, involving 12 projects, and noted that:

(a) Two of the projects on documents, records and archive management and learning, with a cost of implementation of $0.6 million, did not follow the PRINCE2 methodology despite their considerable financial impact;

(b) The total cost of four of the projects (the shipment tracker, automatic transaction monitoring, financial disclosure and harmonized approach to cash transfers) had not been predetermined, because the projects were using internal resources and it was thus difficult to decide which methodology to employ;

(c) One of the projects (M-learning) had a project initiation document without a business case, project plan or project team structure, while three projects on the harmonized approach to cash transfers, the corporate dashboard and financial disclosure had no project initiation documents.

91. The Board further found that UNFPA had not established the mechanisms or processes to capture all the relevant costs of internally developed software systems to facilitate the capitalization of intangible assets. The Board considers that the inconsistencies in the management of projects are mainly owing to the lack of a defined guideline which stipulates the criteria for defining projects, project prioritization and the adoption of either the PRINCE2 or Agile methodology, based on the environment.

92. Management explained that as part of the requirements for approval of any submission to the ICT Board for application development, it would strengthen the enforcement of the project management methodology, following the guidelines on the use of PRINCE2 or Agile, project prioritization criteria and identification of the project costs, as recommended.

93. While appreciating the existence of alternative methodologies, the Board is of the view that UNFPA needs a clear guideline for the selection of a methodology, because Agile is only a software development methodology, which is not meant for the management of ICT projects. If, therefore, Agile is selected in the place of PRINCE2, some aspects of project management will not be properly covered. That will result in initiating ICT projects and committing resources before validating project benefits. Further, if projects are not managed using the PRINCE2 methodology, UNFPA will not realize the benefit of the assurance in ensuring value delivery provided by the documentation controls in that methodology.

94. **The Board recommends that UNFPA: (a) develop and implement a project management guideline which defines the basis for adopting the PRINCE2 or Agile methodology for the ICT project management process; (b) develop and implement ICT project prioritization criteria to be used by the ICT Board in decision-making; and (c) establish a mechanism to capture the costs of internally developed software.**

Information technology disaster recovery plan

95. Section 1 of the UNFPA backup policy defines the backup schedules for all the server groups and ensures server continuity to support the backup and restoration of archived information in the event of a natural disaster, equipment failure and/or accidental loss of files. ICT practices also require organizations to have a disaster recovery plan to ensure the continued operation of ICT systems and their rapid recovery in case of a disaster.

96. The Board noted that although the backup of the data centre in New York was copied to the disaster recovery site in Copenhagen and the backup of data for systems hosted in Copenhagen was copied to the data centre in New York, UNFPA had neither documented an ICT disaster recovery plan nor carried out disaster

recovery tests to ensure that the disaster recovery plan was kept up to date and tested on a regular basis.

97. The Board is of view that the absence of a disaster recovery plan poses a risk to business continuity in case of a disaster. In addition, the problems involved in restoring business continuity will not be fixed in advance without testing the disaster recovery plan. Management assured the Board that a disaster recovery plan would be developed and implemented in 2016 and annual testing undertaken to ensure its validity.

98. **The Board recommends that UNFPA: (a) develop, document, test and implement a comprehensive ICT disaster recovery plan that takes into consideration all critical business systems and their dependencies; and (b) review and test the disaster recovery plan regularly and document the reviews and tests conducted.**

Segregation of duties in the global programming system

99. UNFPA launched an electronic organizational programme management system, known as the global programming system, in November 2014. The system is in the Atlas enterprise resource planning system and is intended for workplan management. The user role matrix for the system shows that users are categorized into three groups: operations/programme support, workplan manager and head of unit, where the workplan manager has all roles, except that of verifying the programme cycle, while the head of unit has all roles, except that of sending budget lines to commitment control, and operations/programme support has all roles, except those of verifying the programme cycle, submitting workplans for approval and approving/rejecting workplans.

100. The Board found that 279 out of 1,966 active users of the global programming system had all roles in system processes, contrary to best practice on internal controls in the segregation of duties established in the user roles matrix for the system. Furthermore, the Board found that 104 snapshots of actions in 47 workplans were taken by the same user for each workplan, from preparation, approval and submission of the budget for a workplan to commitment control. The Board was also informed that any staff member with access to the Atlas enterprise resource planning system could send workplan amounts to commitment control in the global programming system, as there is no restriction within the system. The lack of segregation of duties is due to the fact that roles and rights in the global programming system are derived from existing Atlas roles. For example, if a user has a combination of roles in Atlas, then such access roles are also granted in the global programming system.

101. UNFPA informed the Board that the roles matrix in the global programming system would be reviewed and clarified. The three existing roles in the system would be enabled and allowed to create a workplan snapshot. In addition, the "submit WP snapshot" button and "approve/reject WP snapshot" buttons would be merged into one "create snapshot" button. Further, the "send budget lines to KK (commitment control)" button would be taken away from global programming system workplan managers. All those changes would be reflected in the workplan policy to provide additional clarity.

102. While acknowledging the efforts made by UNFPA towards strengthening access roles in the global programming system, the Board is concerned that the lack of segregation of duties may lead to errors and inappropriate actions in the system.

103. **The Board recommends that UNFPA: (a) strengthen access roles in the global programming system by establishing and implementing global programming system roles in Atlas, which grant access to users based on their functions and duties; and (b) review the list of users with access rights in the global programming system and modify the global programming system application to accommodate the segregation of duties, especially with regard to the creation of workplans and sending budgets to commitment control, to ensure they are performed by different persons.**

Change management process

104. UNFPA adopted Information Technology Infrastructure Library (ITIL) principles for change management to ensure that standardized methods and procedures were used for efficient and prompt handling of all changes associated with its ICT infrastructure and services. The change management process, as stipulated in ITIL, begins with the identification, recording and classification of the change and continues with its approval, testing, staging for implementation and reporting changes. Furthermore, ITIL requires an organization to have a Change Advisory Board which is responsible for providing a cross-functional visibility to all change requests, prioritization of change requests, assessing the impact of the requested changes on the existing system and services before implementing a change and thereafter approving or denying change requests.

105. The Board noted that the change management process for non-enterprise resource planning (non-Atlas) did not involve a Change Advisory Board in the assessment of change and authorization for implementation. That is because UNFPA has no Change Advisory Board but has an ICT Procurement Planning Committee which consists of management information system staff members. The committee is responsible for ICT procurement and change management, contrary to ITIL, which requires an assessment of change management to be done by the Change Advisory Board. The last meeting at which change management was discussed was held on 15 September 2014.

106. Furthermore, the Board found that 15 out of 36 non-Atlas change requests were reported to management information system staff, who registered them in an electronic information system known as "service now".[8] However, the decision and approvals to implement the changes were not made by the ICT Procurement Planning Committee, but were made by users who requested the changes or the persons who were assigned to implement those changes. The Board considers that inadequate management of changes in the information technology environment is mainly owing to the lack of comprehensive guidelines or procedures for the change management process, as set out in the ITIL principles.

107. UNFPA explained that the change management process for non-Atlas applications needed to be restructured and expanded. The change management guidelines would be updated and implemented and a Change Advisory Board would be established. The Board is of the view that the absence of a proper change

[8] There were 27 non-Atlas applications and 36 non-enterprise resource planning change requests.

management process may result in the implementation of changes that will either disrupt the information technology services or fail to deliver the intended benefits.

108. **The Board recommends that UNFPA: (a) establish a Change Advisory Board with clear responsibilities and members drawn from both the technical and business perspectives; and (b) develop and implement a change management guideline which defines the basis for the adoption of the Information Technology Infrastructure Library change management processes in the information technology environment.**

Software acquisition, development and maintenance

109. UNFPA develops information systems to enhance the efficiency, effectiveness and transparency of its operations. In that process, the entity uses either its internal developers or skilled personnel from external companies to develop the applications. In other cases, UNFPA has opted to procure an off-the-shelf application.

110. As of October 2015, 26 out of 32 existing applications were being developed internally. The major recently internally developed applications were the shipment tracker and the strategic information system. As part of the change initiatives, UNFPA also customized the Atlas system to include the global programming system. The global programming system and the strategic information system were officially launched in November 2014 and the shipment tracker was launched in October 2015.

111. The Board found that 111 change requests made between December 2014 and August 2015 related to enhancements of the global programming system and the strategic information system, which were not considered at the stage of testing requirement specifications and user acceptance, but were discovered after the development of the strategic information system and the introduction of the global programming system. The Board considers that the large number of change requests were mainly due to the lack of formal software development guidelines to ensure that adequate specifications were established for the development of the applications or for the customization of existing systems.

112. Further, the Board found that 9 out of 40 applications that existed in 2014 were terminated and their functionalities consolidated in other applications. For instance the annual reports (country office annual reports and the headquarters annual report) and office management plan applications were no longer used and their features had been included in the strategic information system, and the online videoconferencing reservation system had been incorporated into the integrated service desk application. The Board considers that the substantial number of changes made within a short time after the launch of an application, highlight the failure of those applications to meet user expectations and the consolidation of applications signifies the lack of a clearly defined software development life cycle, supported by guidelines to ensure that requirements are well identified, specified and attained.

113. UNFPA explained that management was committed to enforcing a selected project management methodology (i.e. PRINCE2 or Agile) to ensure the availability of all controls at each stage of the software development process. The Board is concerned that the lack of a defined software development life cycle with its

guidelines results in the failure of the applications to meet expected design specifications, development and documentation standards, quality assurance requirements and approval standards.

114. **The Board recommends that UNFPA establish and implement guidelines for the software development life cycle and include all necessary controls at each stage of the process to ensure that applications are developed in accordance with design specifications, development and documentation standards, quality assurance requirements and approval standards.**

Management information system strategic planning risk assessment at the unit level

115. UNFPA has adopted a results-based approach in planning, monitoring and reporting on programmes and operations to ensure that strategic objectives are achieved. Business units are required to align their annual workplans with results derived from the strategic plan using the strategic information system. In line with this, units are required to conduct risk assessments for the unit-level strategic plan to ensure the alignment and achievement of UNFPA objectives. MyRisks is one of the modules of strategic information system that has predefined strategic risks categorized in areas of operation. Each year, business units are required to rank and assign owners to risks relevant to their operations.

116. The Board found that the ICT strategic plan risk assessment for the period 2014-2017 had a description of the criteria used for ranking risks and a list of the risks with their ranks, but no description of the methodology used to arrive at those risks. The risks identified were not aligned to their respective ICT strategic objectives to provide assurance that risks for all objectives had been well assessed. For instance, the ICT strategic plan for the period 2014-2017 had seven objectives, including the enhancement of the ICT capability to support programme delivery and improve facilities and tools to work effectively with internal and external partners. However, the ICT strategic risks identified were not aligned to the strategic objectives. Those risks included dependency on business owners to be equal partners in developing systems and solutions, less control over the project, a greater need for coordination and collaboration with multiple parties and connectivity in field offices.

117. The Board also noted that the status of implementation of mitigating controls was not regularly tracked and reported. That was caused by the lack of a framework for carrying out risk assessments and tracking the implementation of controls for all ICT-related risks.

118. UNFPA explained that management had started a corporate initiative on risk management by utilizing the myRisks tool from the strategic information system. ICT-related risks would be embedded in the standard set of corporate risks and supplemented or broken down into lower-level details, as assessed by the relevant business units. The Board is of the view that inadequate risk assessment processes and the failure to track the implementation of controls may lead to inappropriate risk identification and mitigation strategies, which will eventually affect UNFPA objectives.

119. **The Board recommends that UNFPA: (a) align the risks identified with their respective ICT strategic objectives to provide assurance that risks for all objectives have been well assessed; (b) establish a mechanism to track and**

report on the implementation of mitigating controls for ICT-related risks; (c) conduct specific ICT risk assessments and document them as additional risks in the risk assessment module; and (d) describe the methodologies used by the management information system branch to identify, analyse and assess the ICT risks documented in the ICT strategic plan risk assessment for the period 2014-2017.

Assurance on controls at a service organization

120. International Standard on Assurance Engagements (ISAE) No. 3402 provides an international assurance standard for allowing public accountants to issue a report for use by user organizations and their auditors on the controls at a service organization that are likely to have an impact on or be a part of the system of internal control over financial reporting in the user organization. UNFPA has a service delivery agreement with UNDP (service organization), which provides Atlas hosting, ICT infrastructure or other data processing services. UNFPA also has an agreement with SADA Systems Inc., through UNDP, for provision of the Google Apps service for business.

121. The Board found that the agreements between UNFPA and UNDP (on behalf of UNFPA) and SADA Systems Inc. for the provision of Atlas hosting services and between UNDP (on behalf of UNFPA) and SADA Systems Inc. for provision of the Google Apps service had no provision for the right to audit internal controls and was silent on the need for, and frequency of, ISAE reviews of internal controls and the operating effectiveness of the service organization, reviews which would assist in obtaining assurance on the controls and the operational effectiveness of those controls over the financial reporting period.

122. UNFPA informed the Board that it recognized the importance of the need to revise the policy on outsourcing management to include the requirement of an audit. The Board considers that UNFPA needs to take action to ensure the frequency of review in order to provide assurances on the operating effectiveness of the external company.

123. **The Board recommends that UNFPA include in all its contractual arrangements the need and frequency of ISAE reviews, which will give reasonable assurance to UNFPA on the controls and operating effectiveness of the external service organizations.**

Control over access to the strategic information system

124. The strategic information system is an internal tool that enables staff at all levels of UNFPA to make informed decisions, monitor performance in strategic areas and monitor progress in improvement against identified priorities and areas of concern. The system is an integrated data-driven decision support platform, which empowers users to access and use organized, analysed and visualized data and information from various sources. The modules of the application are country profile, performance, myResults and myRisks and it has four access roles: myResults administrator, myResults approver, myResults focal point and myResults regional approver.

125. The Board noted that of 1,638 users with access to the system, one user had both myResults administrator and approver roles and 396 users had both focal point

and approver roles at the same time. That contravenes the principles of segregation of duties, which require that administrator and focal point roles be separated from the approver role. The Board considers that the inadequate segregation of duties is mainly due to the unclear roles matrix, which maps business roles and application roles based on staff responsibilities.

126. UNFPA informed the Board that the roles matrix would be revised to clarify the different roles and the guidelines would be revised to ensure that segregated roles are enforced. The Board is concerned that inadequate segregation of duties can lead to unauthorized access to and modification of data.

127. **The Board recommends that UNFPA clearly define the roles matrix and ensure that segregation of duties is adhered to in granting access to the application.**

C. Disclosures by management

128. UNFPA made the following disclosures relating to write-offs, ex gratia payments and cases of fraud and presumptive fraud, which in the view of the Board are not significant.

1. Write-off of losses of cash, receivables and property

129. UNFPA informed the Board that it had formally written off losses of $0.24 million (2014: $0.51 million). The write-offs included contributions receivable of $0.14 million, inventory of $19,567, operating fund advances of $13,165, property, plant and equipment of $5,468, travel of $605, staff receivables of $6,673 and other receivables of $57,541 (see annex II to the present report).

2. Ex gratia payments

130. UNFPA reported that ex gratia payments for the period under review amounted to $0.06 million. The payments had been made as a moral obligation after the earthquake in Nepal and for compensation provided to staff for accrued pension rights when they worked as staff members seconded to the UNFPA country office in China (see annex III to the present report).

3. Cases of fraud and presumptive fraud

131. In accordance with the International Standards on Auditing (ISA 240), the Board planned its audits of the financial statements so that it had a reasonable expectation of identifying material misstatements and irregularities (including those resulting from fraud). The audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

132. During the audit, the Board made enquiries of management regarding their oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management had identified or brought to their attention. The Board also inquired as to whether management had any knowledge of any actual, suspected or alleged fraud, including enquiries from the Office of Audit and Investigation Services. The additional terms of reference governing the external audit include

cases of fraud and presumptive fraud in the list of matters that should be referred to in the report.

133. In 2015, the Board did not identify any cases of fraud, other than the 26 cases of fraud or presumptive fraud amounting to $0.12 million which had been reported to the Board by UNFPA.[9]

D. Acknowledgement

134. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director of UNFPA and members of his staff.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

30 June 2016

[9] The information on the fraud or presumptive fraud cases was provided by the Office of Audit and Investigation Services.

Annex I

Status of implementation of recommendations for the financial period ended 31 December 2015

	Report reference	*Recommendation*	*Action reported by the management*	*Board Assessment*	*Status of verification*			
					Implemented	*Under Implementation*	*Not Implemented*	*Overtaken by events*
1.	A/67/5/Add.7, paragraph 84	Address the weaknesses in regional office architecture as recommended by the Division for Oversight Services.	The UNFPA organization handbook has been finalized with revised terms of reference for each business unit at headquarters and updated (in a new format) terms of reference for country and regional offices. The new terms of reference very clearly spell out the oversight and monitoring responsibilities of regional offices over country offices.	The Board reviewed the handbook to assess the terms of reference and responsibilities of the regional offices. The Board agreed with management responses.	X			
2.	A/67/5/Add.7, paragraph 147	Address deficiencies in regional offices as mentioned in the report of the Division for Oversight Services.	As reflected in the annual report of the Division for Oversight Services, there has been substantial improvement in the areas of office governance (in 86 per cent of reports) and in operations (in 100 per cent of reports).	The Board reviewed the reports of the Division for Oversight Services and agreed with management responses.	X			
3.	A/68/5/Add.7, paragraph 45	Enhance control over use of special service agreements and only allow special service agreements that are consistent with its policy.	UNFPA issued a comprehensive revised individual consultant policy in July 2015. The three previous policies on hiring consultants under Special Service Agreements (on consultants at headquarters, international consultants at field duty stations and local consultants at field duty stations) have been collapsed into a streamlined single individual consultant policy, which governs hiring international and local consultants at all locations.	The Board reviewed the consultants policy and noted improvements in compliance with the policy.	X			

	Report reference	Recommendation	Action reported by the management	Board Assessment	Status of verification: Implemented	Under Implementation	Not Implemented	Overtaken by events
4.	A/68/5/Add.7, paragraph 49	Abide by the service contract policy by conducting evaluations of service contracts two months prior to the expiration date and provide justification for the renewals.	This recommendation is addressed in the revised UNFPA policy on service contracts of July 2014, which provides country offices with access to the new UNDP service contract handbook and addresses other issues noted by the Board of Auditors regarding the use of service contracts, including performance evaluation. In partnership with UNDP, UNFPA has entered the data from service contracts into Atlas. A new online tool to facilitate assessments of service contract performance prior to the end or renewal of contracts has been developed.	The Board reviewed the progress of development of the policy and implementation of the performance appraisal report and noted improvements in the evaluation and renewal of service contracts.	X			
5.	A/69/5/Add.8, paragraph 21	UNFPA agreed with the Board's recommendation to consider harmonizing the implementing partner capacity assessment tool and the harmonized approach to cash transfers to improve the assessment of implementing partners.	The sections of the implementing partner capacity assessment tool related to implementing partner governance, human resources, finance and procurement have been harmonized between the three agencies which use the harmonized approach to cash transfers (UNICEF, UNDP and UNFPA) and incorporated into the harmonized approach to cash transfers microassessment carried out in August 2015. The questions on the implementing partner capacity assessment tool related to the technical capacity of partners and their comparative advantage in the mandate area will be streamlined into the UNFPA implementing partner selection process. The UNFPA policy for selection and assessment of implementing partners has been revised accordingly.	The Board reviewed the recently launched implementing partner capacity assessment tool and the new implementing partner assessment policy and agreed with management responses.	X			
6.	A/69/5/Add.8, paragraph 25	The Board recommends that UNFPA agree, along with the implementing partners, to abide by the terms of their engagement and ensure the signing of annual workplans is completed in advance of the implementation of any new projects.	Regarding this issue, it may be noted that both the revised policy and procedures for the preparation and management of workplans and the legal contract with implementing partners (both issued in July 2014) emphasize the existing requirement of a timely signing of workplans. In addition, the global programming system, launched in November 2014, brings full transparency to the management of workplans, including the date of signing. The system enables UNFPA to compare budgeting and spending with an implementing	The Board reviewed the global programming system that addresses this recommendation and agrees with management responses.	X			

	Report reference	Recommendation	Action reported by the management	Board Assessment	Status of verification			
					Implemented	*Under Implementation*	*Not Implemented*	*Overtaken by events*
			partner with the status of the respective workplan (i.e., whether or not it has been signed). The organization expects to see first results, i.e., more timely signing of workplans, by the end of the first quarter of 2015. The global programming system was launched as planned in November 2014. Since then, there has been full transparency for the management of UNFPA workplans, including the date of signing. This further strengthens the workplan policy, which stipulates that workplans have to be signed prior to implementation. The system also makes compliance monitoring much easier. In the light of those measures having been implemented, UNFPA would suggest to the Board of Auditors that this recommendation be closed.				
7	A/69/5/Add.8, paragraph 34	UNFPA agreed with the recommendation of the Board that it adhere to the recruitment guide by: (a) ensuring that hiring of service contract holders is not used as a substitute to the recruitment of fixed-term officers; (b) whenever service-contract holders are hired the length of their contracts should not exceed the contract periods stipulated in the service contract user guide; and (c) reconfigure the web-based tool to improve the monitoring and evaluation of the performance of special service agreements and service contracts in a timely manner.	UNFPA is conducting a one-off review of all existing service contracts in order to adjust contract modalities where necessary. Subsequently, human resource strategic partners will examine new terms of reference for service contracts on an ongoing basis to ensure that the policy is being complied with. The new online tool will be used to facilitate the performance of service contracts and special service agreements with individual consultants will be undertaken using the consultant roster, as prescribed in the new individual consultant policy. **Sub-actions:** • One-off review has been completed. • Subsequently, human resource strategic partners will examine new terms of reference for service contracts on an ongoing basis. • Number of terms of reference reviewed has been provided to the auditors at the end of November 2015. • Last payment on a service contract is only allowed after an evaluation has been completed and entered into the new consultant roster.	The Board acknowledges the management efforts in establishing a tool for the monitoring and evaluation of service contract holders.	X			

	Report reference	Recommendation	Action reported by the management	Board Assessment	Status of verification			
					Implemented	Under Implementation	Not Implemented	Overtaken by events
8.	A/69/5/Add.8, paragraph 44	UNFPA agreed with the recommendation of the Board that it collaborate with other United Nations agencies to establish long-term agreements with suppliers for services utilized by the field offices on a regular basis.	The work of the High-level Committee on Management Procurement Network on the procurement harmonization project, chaired and managed by UNFPA, indicates that inter-organizational collaboration is taking place at the field level, that it is increasing and that substantial activities have been completed (see the guidelines for common procurement at country level). As can be seen from the summary report on the implantation of the project on harmonization and collaborative procurement, guidelines for the use and sharing of long-term service agreements were developed; four workshops were conducted during 2014 in Copenhagen, Rome, Addis Ababa and Hanoi. More than 120 participants from over 20 agencies at over 40 duty stations were trained in the four workshops. In addition, procurement collaboration experts were identified to support further scaling up of procurement collaboration. United Nations Global Marketplace long-term agreement tools were updated and are available online at https://www.ungm.org/UNUser/LongTermAgreement for information on long-term agreements and https://www.ungm.org/UNUser/LongTermAgreement/SearchLTAs for long-term agreement usage. A Common United Nations procurement toolkit was provided. Over 220 individuals from 30 organizations at 75 duty stations have participated in the eLearning course on harmonized procurement. Four webinars were conducted in late 2014, with 108 terminals logged into the webinars from 48 countries, representing over 20 agencies. Lastly, among the evidence collected from countries implementing procurement collaboration, UNFPA is actively involved in that collaboration in most of those countries, including Bolivia (Plurinational State of), Bosnia and Herzegovina, Brazil, Kosovo, the Niger, Senegal, Serbia, the United Republic of Tanzania, Viet Nam and at Headquarters in New York.	The Board reviewed the LTAs at the visited country offices and agree with Management responses.	X			

Report reference	Recommendation	Action reported by the management	Board Assessment	Status of verification			
				Implemented	Under Implementation	Not Implemented	Overtaken by events
		Specific activities to ensure increased collaborative procurement activities at field level include: • Inclusion of the guidelines on common procurement at country level in UNFPA procurement procedures (since October 2012). • Regular correspondence between the Procurement Services Branch and country offices, demonstrating follow-up and progress in this area.					
9. A/69/5/Add.8, paragraph 50	UNFPA agreed with the Board's recommendation that it continue enhancing its efforts to bridge the funding gap in the outstanding liabilities in employee benefits within the proposed time schedule.	UNFPA management is implementing this recommendation through multiple efforts to enhance the funding of employee benefit liabilities and address the gap which is driven by forces outside the control of the UNFPA management, for example, market interest rates, which bear heavily on the results of the actuarial valuation exercise. Management actions taken include: • Appointment of an external fund manager for the investment of the after-service health insurance funds that will help to generate an improved rate of return on those funds. • Surcharges to the payroll costs of each staff member. • Redeployment of interest income on after-service health insurance funds. • Annual allocation of discretionary funding by the senior management. These actions should constitute the criteria which the Board of Auditors uses to address this recommendation. UNFPA management notes that the Board of Auditors will assess the latest level of the unfunded obligation and the funding set aside as part of their normal audit work on the 2015 financial statements (A/71/5/Add.8, note 12 to the financial statements). Note 12 discloses that a new full independent actuarial valuation exercise was undertaken in 2015 and consequently the total employee benefits liability fell from $332.1 million in 2014 to $302.7 million in 2015, while the level of the unfunded liability fell by $40 million,	The Board reviewed the current funding gap and agreed with management responses. The Board will continue to assess the funding situation in subsequent years.	X			

	Report reference	Recommendation	Action reported by the management	Board Assessment	Status of verification: Implemented	Under Implementation	Not Implemented	Overtaken by events
			primarily due to actuarial gains consequent on the improvement of the new favourable discount rate utilized. As at 31 December 2015 62 per cent of the liability was funded, with after-service health insurance 68 per cent funded — up from 57 per cent in 2014. Contracts were finalized with the external investment managers in March 2016 with the first Investment Committee meeting taking place on 1 April, at which the timing and tranches of the transfer of funds were agreed.					
10.	A/69/5/Add.8, paragraph 58	The Board recommends that UNFPA determine the levels of assurance appropriate for business units ranked as being high- and medium-risk and empower its internal audit with resources, as appropriate, to adapt its audit cycles to the chosen assurance level.	In response to this recommendation and after reviewing the 2015 risk assessment carried out by the Office of Audit and Investigation Services, UNFPA has determined the levels of assurance appropriate for its high- and medium-risk business units. UNFPA presented its proposal on adapting its audit cycles and aligning internal audit resources to the Executive Board and the Board approved the proposal.	The Board reviewed the internal audit resources and the proposal approved by the Executive Board. The Board agrees with management responses.	X			
11.	A/70/5/Add.8, paragraph 16	The Board recommends that UNFPA: (a) accelerate the process of developing an enterprise risk management framework that outlines the underlying approaches to risk management and mitigation strategies to guide UNFPA management in identifying, assessing and addressing risks at all levels of operations; and (b) establish risk registers at the operational level and a consolidated register at the strategic level outlining the categories and nature of	UNFPA management has taken concrete steps towards implementing an enterprise risk management process, in line with the enterprise risk management framework of the Committee of Sponsoring Organizations of the Treadway Commission, and developing a consolidated risk register. That will allow UNFPA to better measure risk, communicate action plans and mitigate risk at every level of the organization. The enterprise risk management process, which has strong support from senior management, seeks to introduce change in incremental steps, leveraging existing resources, harmonizing existing risk management activities and embedding ongoing improvements in enterprise risk management, knowledge-sharing and continuing education in the day-to-day operations of the organization. As a first step, in 2014 UNFPA undertook a risk identification process, as a result of which 12 top corporate risk areas, including fraud risk, were	The Board of Auditors acknowledges management efforts in establishing the enterprise risk management framework and risk register.	X			

Report reference	Recommendation	Action reported by the management	Board Assessment	Status of verification			
				Implemented	Under Implementation	Not Implemented	Overtaken by events
	the risks which may affect UNFPA in delivering its mandate.	selected for an initial risk assessment phase. The annual risk assessment phase and the first computerized risk register (myRisks), designed to help assess, communicate and respond to risk in real time, were launched on 1 July 2015. This new electronic assessment simplifies and consolidates existing risk assessments and emphasizes the need to continue to find ways to reduce the administrative burden while improving the means of communication. As of 31 March 2016, over 105 business units had completed their risk assessments, validated by regional and divisional Directors, leveraging the functionality built into the strategic information system. As a second step, as of 31 March 2015 UNFPA has been working in the implementation of the risk response process. As part of the process, risks assessed as critical and high by business units are escalated to risk treatment working groups, chaired by designated risk owners, which will meet periodically to discuss and coordinate mitigation strategies with the support of experts. As a third and future step, the UNFPA Risk Committee will evaluate the operation of the process, identify emerging risks and provide feedback to help fine tune enterprise risk management activities.					
12. A/70/5/Add.8, paragraph 23	The Board recommends that UNFPA: (a) update the guidelines for decentralized offices to clearly define and outline the different arrangements for decentralized offices for establishing and managing operations; (b) continue to develop comprehensive business cases and seek retroactive approval for the remaining decentralized offices; and (c) incorporate the	UNFPA undertook a comprehensive review of all its decentralized offices to ensure the existence of business cases and approvals from regional offices. It secured retroactive approvals, where required. It is in the process of updating its existing guidelines for decentralized offices under the human resources alignment framework to define clearly the different types of decentralized office arrangements, including their linkages with the country office organizational structure. The Division for Human Resources is in the process of updating the guidelines and incorporating the organization charts. **April update**: The Division for Human Resources is still working on drafting the guidelines for decentralized offices, which should resolve this	A management action on updating the policy is awaited.		X		

	Report reference	Recommendation	Action reported by the management	Board Assessment	Status of verification			
					Implemented	Under Implementation	Not Implemented	Overtaken by events
		organization chart of decentralized offices and its reporting lines into the organization structure of country offices.	and observation No. 13 below. However, owing to the need for further consultation with the stakeholders, it is still a work in progress. The new implementation date is the end of the third quarter of 2016.					
13.	A/70/5/Add.8, paragraph 28	The Board recommends that UNFPA: (a) ensure that monitoring and assessment visits are undertaken for effective evaluation of the implementation of activities at decentralized offices; (b) define the role of the focal points for decentralized offices and provide clear guidance on what support and oversight the focal points should provide; and (c) establish performance targets and set systematic monitoring and assessment criteria for the focal points to ensure that they deliver according to the UNFPA mandate.	UNFPA will further define the support and oversight role of the focal points for decentralized offices in the next revision of its guidelines. The performance targets, monitoring and assessment criteria for individuals (including focal points) are managed through the corporate performance appraisal and development application and for UNFPA business units through the corporate strategic information system. **April update**: The Division for Human Resources is still working on drafting the decentralized office guidelines, which should resolve this and observation No. 12 above. However, owing to the need for further consultation with the stakeholders, it is still a work in progress. The new implementation date is the end of the third quarter of 2016.	A management action on updating the policy is awaited.		X		
14.	A/70/5/Add.8, paragraph 34	The Board recommends that UNFPA: (a) include performance indicators, targets and baselines for expected outputs in the workplans of all its approved implementing partners; and (b) ensure that the assessment of the performance of implementing partners in delivering the UNFPA core mandate is based on those performance indicators, targets and baselines.	As planned, a new functionality of the global programming system was launched, whereby each output requires at least one indicator, baseline and target in line with the audit recommendation. Henceforth, no workplan can be finalized without these. Achievement of the targets will be factored in by UNFPA when reviewing the performance of implementing partners.	The Board reviewed the workplans of implementing partners to assess whether they included targets, indicators and baselines. The Board agrees with the management response.	X			

	Report reference	Recommendation	Action reported by the management	Board Assessment	Status of verification			
					Implemented	Under Implementation	Not Implemented	Overtaken by events
15.	A/70/5/Add.8, paragraph 39	The Board recommends that UNFPA: (a) strengthen its monitoring procedures for implementing partners to ensure adequate performance of programme implementation activities; and (b) prepare monitoring plans that can be achieved within the time frame.	The phase II functionality of the global programming system, expected to be launched in the fourth quarter of 2016, will include progress reporting on the workplans of implementing partners. Payments to implementing partners will be subject to proper and timely reporting on progress in implementation and results. The phase II functionality will also require the timely submission of funding authorization and certificate of expenditure forms which is a prerequisite before any payments to implementing partner can be made.	Finalization of the phase II functionality of the global programming system is awaited.		X		
16.	A/70/5/Add.8, paragraph 44	The Board recommends that UNFPA reconcile the data in the combined delivery reports with those recorded in the funding authorization and certificate of expenditure forms on a quarterly basis, in accordance with the national execution audit guide.	The national execution audit guide issued in 2013 requires business units to perform quarterly reconciliations of the data in combined delivery reports with the corresponding data in funding authorization and certificate of expenditure forms and any direct payment forms. Subsequently, in the 2014 version of the audit guide, the requirement of specific quarterly reconciliations was changed to "regular" reconciliations to remove an undue burden on business units. All organizational units must undertake regular reconciliations of expenses in combined delivery reports with expenses reported by implementing partners in funding authorization and certificate of expenditure and direct payment forms.	The Board reviewed CDRs and agree with management response.	X			

17.	A/70/5/Add.8, paragraph 50	UNFPA agreed with the recommendation of the Board that it: (a) clean up the data and manual adjustments in the eService application before the end of the year to record the leave liability accurately and thereafter monitor the leave records consistently through the system; and (b) configure the eService application so that it does	UNFPA will ensure that the data clean-up and manual adjustment in the eService application will be carried out before the end of the year 2015, as prescribed by the leave policy. Similarly, UNFPA will ensure that the eService application is reconfigured so that it will not allow negative leave balances beyond the maximum advance leave days allowed under the leave policy.
			For (a), a message to remind all business units has been drafted and will be shared with all UNFPA staff.
			For (b), the change has been made by UNDP.
				The Board reviewed the reconfigured eService application and agrees with management responses.	X			

Report reference	Recommendation	Action reported by the management	Board Assessment	Status of verification			
				Implemented	Under Implementation	Not Implemented	Overtaken by events
	not allow for negative leave balances beyond the maximum advance leave days allowed in the policy.						
18. A/70/5/Add.8, paragraph 55	The Board recommends that UNFPA continue to develop a global comprehensive database for maintaining, recording and periodically updating key information on consultants and service contracts to improve control, monitoring and reporting on special service agreements and service contracts at field offices.	UNFPA already has a global database in place for service contracts for this purpose, which will be updated on a regular basis. UNFPA will leverage the use of the consultant roster, which will be a database for the new individual consultants modality, which replaces special service agreements. Discussions took place between staff of the Division for Human Resources, the Programme Division and the management information system in October to examine the possibility of leveraging the consultant roster to reflect individual consultants. Subsequently, business requirements have been identified and a timeline has been agreed upon for completion of consultant roster 2.0. The data from all service contracts has been imported into Atlas and this part of the recommendation has been completed. **April update**: This recommendation is being addressed by the consultant monitoring tool being built in the AoDocs (document management) system. Business requirements have been created through collaboration between the Division for Human Resources and the Programme Division. The building of the actual AoDocs library and workflow is expected to be finished in the next few weeks. Subsequently, testing will be undertaken in preparation for the launch. The necessary guidance documents and user training will be prepared. The implementation date is the end of the second quarter of 2016 or earlier.	The Board acknowledges management efforts in establishing the service contracts tool. Finalization and implementation of the consultancy tool is awaited.		X		

	Report reference	Recommendation	Action reported by the management	Board Assessment	Status of verification			
					Implemented	Under Implementation	Not Implemented	Overtaken by events
19.	A/70/5/Add.8, paragraph 60	The Board recommends that UNFPA: (a) establish a robust supply chain mechanism to ensure that there is effective delivery and distribution of procured inventories to the intended beneficiaries by field offices; and (b) develop tools that will enable country offices to monitor the timeliness and effectiveness of inventory distribution, including regular tracking of key metrics, such as percentage of execution of distribution plans and inventory levels held at service delivery points.	UNFPA is continuously working on improving its systems to facilitate effective inventory management. As part of those efforts, it is launching a new, inventory tracking system, called shipment tracker (replacing the existing channel system), which is integrated into the enterprise resource planning system. This system will enable the flow of commodities to be tracked throughout the full procure-to-pay cycle, starting from requisition and ending with the ultimate distribution to UNFPA implementing partners or beneficiaries, all within a single enterprise resource planning system. The system will provide users and management with live information on the status of commodities at any point in time. It will also enable the development of analytical and diagnostic tools supplying management with such key metrics as the volume of goods available for distribution, aged inventory balances, etc. That data will enable management to take timely actions to address identified weaknesses, such as long delivery times or bottlenecks within the in-country logistics chain. The shipment tracker is currently in the final stages of testing and is expected to go live as of the third quarter of 2015. Additional information • Launch of the shipment tracker, the new inventory tracking system. • Face-to-face training dedicated to the shipment tracker and inventory management for the field offices in East and Southern Africa, West and Central Africa, the Asia and Pacific region and the Arab States. • Global webinars dedicated to the shipment tracker. • New reports showing the status of inventory balances at a point in time, either historic or real time, including ageing information.	The Board acknowledges management efforts in establishing the inventory tool. It awaits the completion of shipment tracker.		X		

	Report reference	Recommendation	Action reported by the management	Board Assessment	Status of verification			
					Implemented	Under Implementation	Not Implemented	Overtaken by events
20.	A/70/5/Add.8, paragraph 63	UNFPA agreed with the recommendation of the Board that it: (a) speed up the investigation on the unusual credit balances in the individual salary advance accounts; and (b) consider instituting an automated system to control staff advances at field and head offices.	UNFPA has already made good progress in clearing credit balances in the salary advance accounts. A detailed three-year action plan has been developed for the prioritization, review and clearance of the remaining outstanding balances. As a result the amount of credit balances under salary advance accounts has been reduced from $333,000 in 2014 to $131,000 in 2015 (a 61 per cent reduction). The overall review and clearance is moving in accordance with the action plan.	The Board acknowledges management efforts towards launching the automated system for staff advances and clearing the negative balances. Management is advised to continue resolving the remaining credit balances in the individual salary accounts.		X		
	Total		**20**		**14**	**6**	**0**	**0**
	Total percentage		**100 per cent**		**70**	**30**	–	–

Annex II

Summary of assets written off

(United States dollars)

Category (assets, inventory and cash)	*Current Year*	*Previous year*	*Increase (decrease)*
Contributions receivable	138 767	227 551	(88 784)
Inventory	19 567	257 853	(238 286)
Operating fund advances	13 165	0	13 165
Property, plant and equipment	5 468	10 149	(4 681)
Travel	605	0	605
Staff receivables	6 673	0	6 673
Other receivables	57 541	0	57 541
Cash	–	1 583	(1 583)
National execution unsupported expenditure	–	10 095	(10 095)
Total	–	**507 231**	**(265 445)**

Annex III

Ex gratia payments

(United States dollars)

Amount approved by competent authority	*Date of payment*	*Amount paid*	*Reasons for payment*
50 160	July 2015	50 160	Payments paid as one-time rehabilitation grant to personnel of the UNFPA country office in Nepal due to earthquake disaster and humanitarian impact
5 590	January 2015	5 590	Compensation provided to staff from China who did not accrue pension rights as seconded staff members while de facto working as full staff members.
Total **805**		**805**	

Chapter III
Certification of the financial statements

Letter dated 29 April 2016 from the Director of the Division for Management Services of the United Nations Population Fund addressed to the Chair of the Board of Auditors

I certify that, to the best of my knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements.

I acknowledge that:

The management is responsible for the integrity and objectivity of the financial information included in these financial statements;

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards and include certain amounts that are based on the management's best estimates and judgments;

Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties. The Internal Auditor continually reviews the accounting and control systems;

The Management provided the Internal Auditor with full and free access to all accounting and financial records;

The recommendations of the United Nations Board of Auditors and Internal Auditor are reviewed by the management. Internal control procedures have been revised or are in the process of revision, as appropriate, in response to those recommendations.

I am in receipt of a letter of certification from the Deputy Assistant Administrator, Deputy Director and Chief Finance Officer, Bureau of Management, United Nations Development Programme (UNDP), which provides the same assurances with respect to UNDP accounting procedures and related systems of control to the extent that services are provided by UNDP to the United Nations Population Fund (UNFPA), as per the management agreement currently in force and its subsequent amendments, and in conformity with UNFPA financial rule 116.3 (a).

(*Signed*) Subhash K. **Gupta**
Director
Division for Management Services

Chapter IV
Financial report for the year ended 31 December 2015

Introduction

1. The present report summarizes the information provided in the UNFPA financial statements for the year ended 31 December 2015 and highlights significant aspects and trends.

2. The financial statements comprise 5 statements, 26 notes and 4 schedules, which include information on the operations funded by UNFPA resources, both unearmarked and earmarked.

Financial performance

Trends in contribution revenue

3. Gross unearmarked contribution revenue has decreased for the first time in four years, from $477.4 million in 2014 to $398.2 million in 2015 (a decline of 16.6 per cent). Most of that decrease is the result of a stronger United States dollar relative to the currencies of contributions.

4. Unlike unearmarked resources, contributions to earmarked resources, net of refunds to donors and indirect costs, grew by $51.5 million (an increase of 10.5 per cent) and reached $543.3 million in 2015. Earmarked contributions accounted for 58.1 per cent of total contribution revenue for 2015, up from 51.0 per cent in 2014.

5. Consistent with previous years, the majority of contributions to UNFPA were received from a small number of donors. In 2015, the top 10 donors accounted for 87.3 per cent of gross contribution revenue to unearmarked resources (87.9 per cent in 2014) and 86.8 per cent of gross contributions to earmarked resources (85.3 per cent in 2014). UNFPA continues to make significant efforts to broaden its donor base by engaging with middle-income countries and countries with emerging economies, as well as with private sector donors.

6. Refunds to donors amounted to $4.5 million in 2015, which is consistent with the pattern of donor refunds from prior years ($6.4 million in 2013 and $3.7 million in 2014). This amount is less than 0.8 per cent of gross earmarked contribution revenue for the year and demonstrates the ability of UNFPA to implement programme activities efficiently.

Other revenue

7. Other revenue went down by $4.2 million, from $61.5 million in 2014 to $57.3 million in 2015. Part of the decrease is attributed to a $1.4 million decline in fees earned by UNFPA for acting as the administrative agent for joint programme activities involving two or more United Nations agencies. Another reason is the decline in the volume of procurement undertaken by UNFPA on behalf of third parties, which affected both the amount of handling fees earned by the organization (a decrease of $0.8 million) and the amount of revenue earmarked for procurement activities (a decrease of $1.8 million). Note 16 provides further details on other revenue earned by UNFPA, while schedule C contains an analysis of third-party procurement services by category of client.

Future revenue flows and continuity of operations

8. As at 31 December 2015, UNFPA had agreements signed for $366.7 million in future contribution revenue, of which $349.5 million is related to earmarked resources. That future revenue is of great importance as it enables continuity of UNFPA operations.

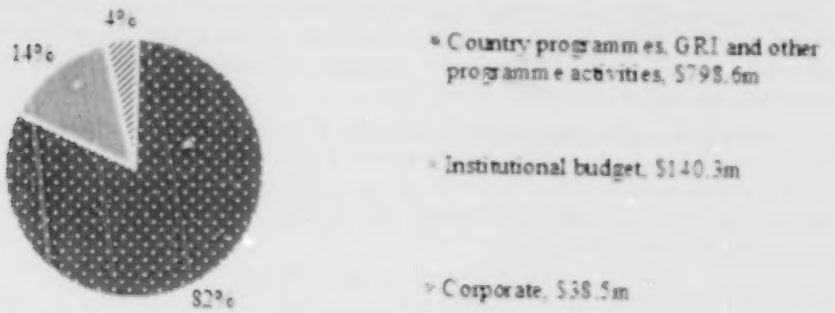
Expenses — overview

9. Total expenses amounted to $977.4 million in 2015, which is 2.5 per cent less than the $1,002.1 million spent in 2014. The decrease is primarily attributable to expenses under unearmarked resources, which have gone down by $17.7 million (3.5 per cent), from $500.4 million in 2014 to $482.7 million in 2015. That decrease is predominantly a result of austerity measures that were put in place in the second half of 2015, following the reduction in unearmarked contribution revenue.

10. Total expenses on country programmes, global and regional interventions and other programme activities have decreased by 2.6 per cent, from $820.2 million in 2014 to $798.6 million in 2015. That decrease is solely attributable to unearmarked resources, since programme expenses under earmarked resources increased by $4.3 million in 2015. However, the growth under earmarked resources was insufficient to offset the $25.9 million decrease in programme activities expenses under unearmarked resources.

11. Institutional budget expenses amounted to $140.3 million in 2015 ($139.5 million in 2014), which is equivalent to 14.4 percent of total expenses for the year.

Figure IV.I
Composition of expenses by type of activities
(Millions of United States dollars)



Note: GRI is an abbreviation for global and regional interventions.

Expenses — breakdown by geographical location, nature, implementation modality and purpose

12. UNFPA is a field-based organization. In 2015, $631.1 million, or 79 per cent of total expenses on country programmes, global and regional interventions and other programme activities was spent by UNFPA in the field. The regions with the highest value of UNFPA programme assistance were eastern and southern Africa

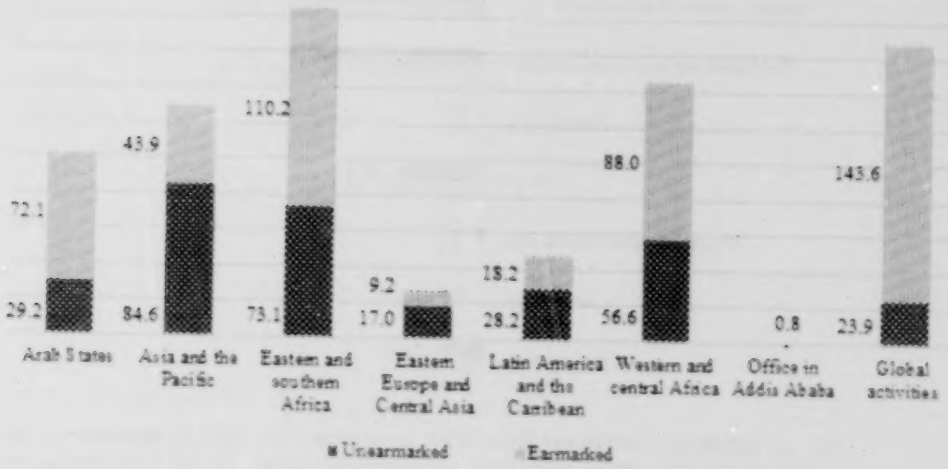
(a total of $183.3 million, including $73.1 million in unearmarked resources), followed by western and central Africa ($144.6 million, including $56.6 million in unearmarked resources) and Asia and the Pacific ($128.5 million, including $84.6 million in unearmarked resources). In 2014, the same regions were also the recipients of the highest amounts of UNFPA programme aid.

13. Total expenses for global activities amounted to $167.5 million (or 21.0 per cent of total expenses on country programmes, global and regional interventions and other programme activities). Of that amount, $122.4 million, or 73.1 per cent, was spent on UNFPA supplies, formerly the Global Programme to Enhance Reproductive Health Commodity Security, the UNFPA flagship programme that helps countries build stronger health systems and widen access to a reliable supply of contraceptives and life-saving medicines for maternal health.

Figure IV.II

Geographical break-down of expenses on country programmes, global and regional interventions and other programme activities

(Millions of United States dollars)

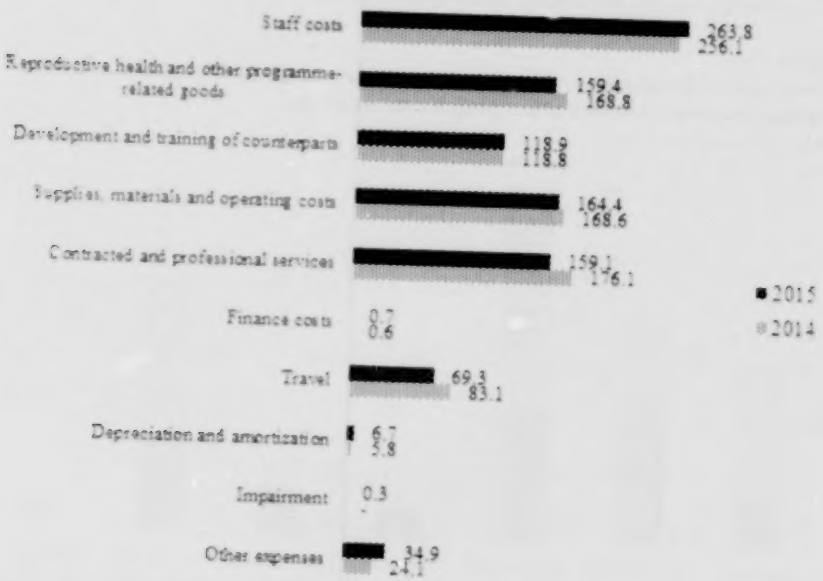


14. The success of UNFPA in delivering its mandate is largely dependent on its skilled and competent national and international staff. In 2015, it spent $263.8 million on staff costs,[10] which represents 27.0 per cent of total expenses for the year. That is 1.4 per cent higher than in 2014, when staff costs represented 25.6 per cent of total expenses for the year. At the end of 2015, 82.5 per cent (compared with 82.4 per cent in 2014) of UNFPA staff were based in field offices and 17.5 per cent (17.6 per cent in 2014) were based at headquarters.

[10] The term "staff" includes all staff members who are appointed by or on behalf of the Executive Director of UNFPA pursuant to the United Nations Staff Regulations under appointment authority delegated to the Executive Director by the Secretary-General (ST/SGB/2004/10, effective 1 June 2004, and General Assembly decision 58/555 on personnel matters relating to UNFPA). It includes all staff members holding continuing, fixed-term and temporary contracts.

15. Expenses for travel and other expenses were subject to the most significant year-on-year variance. Expenses for travel decreased from $83.1 million in 2014 to $69.3 million in 2015, primarily as a result of concentrated management efforts to curtail travel costs, which included the introduction of an internal "carbon tax" and promoting energy-efficient alternatives to travel, such as videoconferencing. Other expenses rose from $24.1 million in 2014 to $34.9 million in 2015, mainly due to an increase in unrealized and realized foreign exchange losses on contributions receivable.

Figure IV.III
Composition of expenses by nature
(Millions of United States dollars)



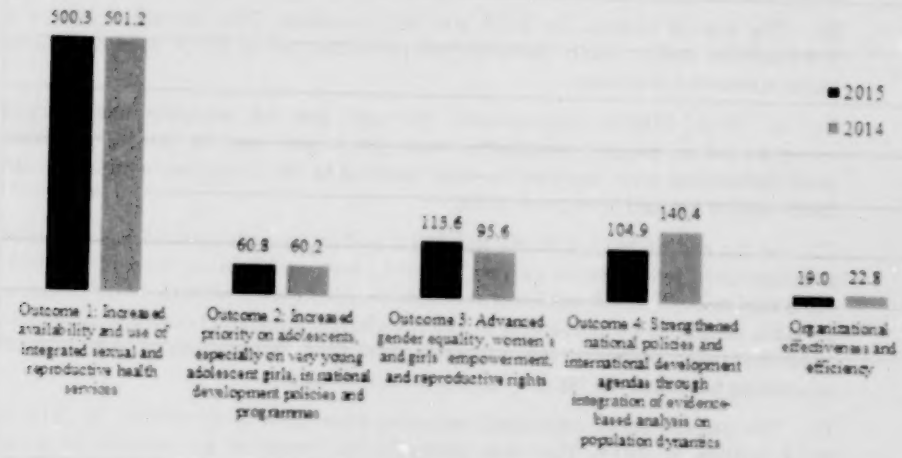
16. A significant percentage of UNFPA programme activities is implemented by Governments and non-governmental organizations, which in 2015 accounted for $259.4 million, or 32.5 per cent, of total expenses on country programmes, global and regional interventions and other programme activities. That is $4.3 million higher than in 2014, when activities implemented by Governments and non-governmental organizations accounted for $255.1 million, or 31.1 per cent, of programme expenses.

17. The UNFPA strategic plan for 2014-2017 includes an integrated results framework, which outlines four development results outcomes and three management results outputs necessary to achieve UNFPA strategic objectives. In the course of 2015, UNFPA spent $500.3 million towards outcome 1: increased availability and use of integrated sexual and reproductive health services ($501.2 million spent in 2014), which is equivalent to 62.6 per cent of total programme expenses (61.1 per cent in 2014).

Figure IV.IV

Country programme, global and regional interventions and other programme activity expenses by contributions to integrated results framework outcomes

(Millions of United States dollars)

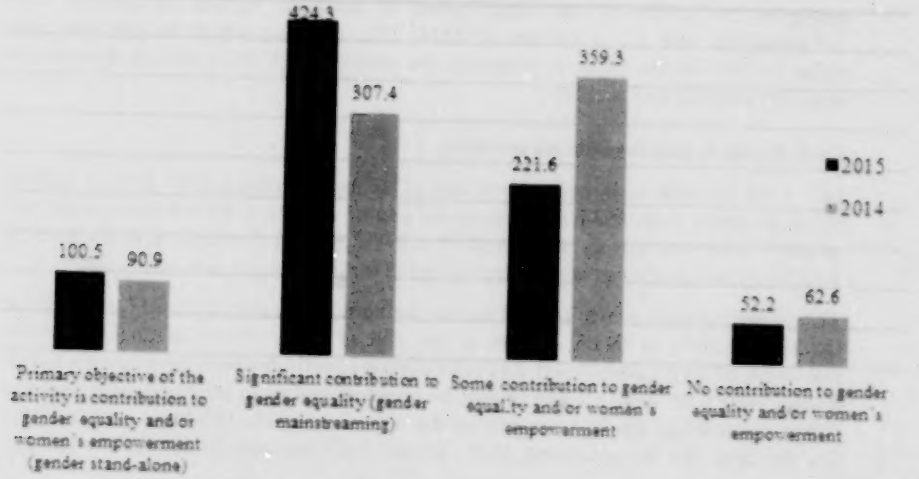

500.3
501.2
60.8
60.2
115.6
95.6
104.9
140.4
19.0
22.8
2015
2014
Outcome 1: Increased availability and use of integrated sexual and reproductive health services
Outcome 2: Increased priority on adolescents, especially on very young adolescent girls, in national development policies and programmes
Outcome 3: Advanced gender equality, women's and girls' empowerment, and reproductive rights
Outcome 4: Strengthened national policies and international development agendas through integration of evidence-based analysis on population dynamics
Organizational effectiveness and efficiency

18. In 2015, UNFPA spent $524.8 million or 65.7 per cent of programme expenses on activities that had either gender equality/women's empowerment as their primary objective or made a significant contribution to gender equality. That is 17.1 percentage points of programme expenses higher than in 2014, when 48.6 per cent (or $398.3 million) of programme expenses had women's empowerment as the primary objective, or made a significant contribution to gender equality.

Figure IV.V

Country programme, global and regional interventions and other programme activity expenses by contribution to gender equality/women's empowerment

(Millions of United States dollars)



19. UNFPA continues to strengthen its engagement in humanitarian response and relief activities in the programme countries. In 2015, it spent $53.1 million, which is equivalent to 6.6 per cent of programme expenses, on humanitarian activities.

Surplus for the year

20. The overall surplus for 2015 was $15.4 million. That amount is net of a $38.0 million deficit under unearmarked resources and a $53.4 million surplus under earmarked resources.

21. In 2015, UNFPA implemented 94.9 per cent of available unearmarked resources on a budget comparable basis (91.4 per cent in 2014). Available unearmarked resources included revenue received in 2015, together with unutilized funds carried forward from prior years.

22. At the end of 2015, UNFPA had $57.8 million in undesignated, unearmarked programmable funds ($61.0 million in 2014) that were carried forward to 2016. From that amount $24.8 million is available for distribution in 2016. Note 14 below provides details on the movement of funds under unearmarked resources, as well as a reconciliation between the programmable fund balance on a full accrual accounting basis and the funds available for distribution.

23. The surplus under earmarked resources grew from $0.04 million in 2014 to $53.4 million in 2015. That was primarily the result of an increase in gross contribution revenue from $529.4 million in 2014 to $581.3 million in 2015.

Financial position

Assets and liabilities

24. Total assets as at 31 December 2015 amounted to $1,216.6 million ($1,295.2 million in 2014); total liabilities were equal to $422.2 million ($567.8 million in 2014).

25. At the end of the year, total current assets amounted to $667.4 million, while total current liabilities were valued at $149.4 million. The current ratio, which measures the ability of the organization to meet its current obligations, was 4.5 compared with 2.5 at the end of 2014. That increase, which brought the ratio close to 2013 levels (4.6), is primarily the result of a $100.2 million decrease in accounts payable and accruals.

Cash balances and investment portfolio

26. UNFPA cash, cash equivalents and investments decreased by $154.3 million (16.5 per cent), from $934.7 million at the end of 2014 to $780.4 million at the end of 2015. That was mainly as a result of a $98.5 million decrease in funds held by UNFPA in its capacity as administrative agent for joint programme activities.

27. Cash balances (cash in hand and in the bank) increased from $13.3 million at the end of 2014 to $21.8 million at the end of 2015. The investment portfolio (inclusive of cash equivalents) was split almost equally between investments due to mature within the next 12 months and investments maturing after one year, with the former accounting for 48.1 per cent of the overall portfolio (46.1 per cent in 2014) and the latter for the remaining 51.9 per cent (53.9 per cent in 2014). The average

maturity of UNFPA investments went down from 16.8 months at the end of 2014 to 13.3 months at the end of 2015.

28. In 2015, average yields were up from 0.6 per cent in 2014 to 0.8 per cent. UNFPA invests in high-quality financial instruments with a strong emphasis on the creditworthiness of the issuers. As at the end of 2015, 78.4 per cent of total investments with a maturity of three months or longer was held in AAA or AA+ securities (as compared with 65.1 per cent at the end of 2014).

29. In April 2016, UNFPA started a phased transfer of funds set aside for funding its employee benefits liability to two external fund managers that will invest those monies in a more diversified higher-yielding investment portfolio similar to that of the United Nations Joint Staff Pension Fund. Funds are expected to be transferred quarterly, over a period of two years.

30. UNFPA treasury and investment services are managed by UNDP under a service-level agreement.

Inventories

31. The total value of UNFPA inventories increased marginally, from $54.3 million at the end of 2014 to $59.0 million at the end of 2015. The increase is solely attributable to growth in the inventory of reproductive health commodities and other programme-related goods in transit to their final destinations from $27.1 million at the end of 2014 to $38.4 million at the end of 2015. The number of field offices reporting inventory in transit at year end has also increased from 50 in 2014 to 57 in 2015. The average age of inventory items in transit as at 31 December 2015 was 2.1 months.

32. Unlike inventory in transit, the value of inventory held in stock decreased from $22.4 million in 2014 to $18.3 million by the end of 2015, although the number of offices holding static inventory increased from 23 in 2014 to 26 in 2015. The average age of inventory items held in stock by field offices as at 31 December 2015 was 7.5 months.

33. The sum of inventory losses/adjustments and provision for inventory losses reduced from $0.3 million in 2014 to $0.1 million in 2015.

34. In light of the growing importance of the procurement and distribution of reproductive health commodities, UNFPA is undertaking a number of initiatives to strengthen its supply chain and inventory management. In 2015, it launched a new system for recording, tracking and monitoring field office inventory, which is fully integrated within corporate enterprise resource planning and provides real-time data on inventory goods procured, stored and distributed by UNFPA at a point and over a period of time.

Operating fund advances

35. Operating fund advances decreased by $3 million (21.9 per cent) for the second year in a row and amounted to $10.8 million at the end of 2015. The decrease is a result of concentrated efforts by management in exercising close oversight and control over operating fund advances issued to implementing partners.

Property, plant and equipment and intangible assets

36. As at 31 December 2015, UNFPA held property, plant and equipment worth $34 million ($34.1 million in 2014). Consistently with 2014, the largest classes within property, plant and equipment were vehicles with a net book value of $11.3 million or 33.3 per cent of all fixed assets, followed by buildings with a net book value of $10.9 million or 32 per cent.

37. As at 31 December 2015, the cost of fully depreciated property, plant and equipment items that were still in use amounted to $13.9 million ($14.1 million in 2014).

38. The value of intangibles as at the end of 2015 totalled $0.7 million ($0.6 million in 2014). UNFPA intangible assets consist primarily of software, both externally acquired and internally developed.

Accounts receivable and payable

39. Contributions receivable increased by $71.8 million, from $229.1 million at the end of 2014 to $300.9 million at the end of 2015. From this increase, $58.7 million is attributed to year-on-year growth in earmarked contributions receivable not due for payment as at year end. Consistent with prior years, earmarked contributions receivable represent the majority (or 93.8 per cent) of the total contributions receivable.

40. Collection rates on contributions receivable remain extremely high: by the end of 2015, UNFPA only had $1 million of contributions receivable aged more than 12 months ($0.9 million in 2014) and during the year wrote off just $0.1 million of contributions receivable ($0.2 million in 2014).

41. Accounts payable went down from $212.4 million at the end of 2014 to $112.2 million at the end of 2015. Most of the decline is due to a decrease in the amount of funds held by UNFPA on behalf of other United Nations agencies in its capacity as administrative agent from $143.2 million at the end of 2014 to $44.7 million at the end of 2015.

Employee benefits

42. Employee benefit liabilities went down to $302.7 million at the end of 2015 from $332.1 million in 2014, primarily due to a decrease in post-employment benefit liabilities of $30 million. Post-employment benefit liabilities were established on the basis of a valuation carried out by an independent actuarial firm. The main factors contributing to the decrease were changes in financial assumptions, which included updating the discount rate for after-service health insurance liability from 4 per cent in 2014 to 4.38 per cent in 2015 and reducing the projected growth rate in health-care costs for non-United States medical plans from 5 per cent in 2014 to 4 per cent in 2015.

43. The unfunded portion of the employee benefit liabilities decreased from $154.8 million at the end of 2014 to $114.8 million at the end of 2015, mainly due to a $29.4 million decrease in total liabilities, supplemented by $10.6 million of funding set aside during the year. Employee benefit liabilities in UNFPA are among the best funded of the entire United Nations system.

Fund balances and reserves

44. The unearmarked resource balance comprises two categories: undesignated fund balance and designated fund balance.

45. As at the end of 2015, the undesignated fund deficit was $(57.0) million, which is the sum of two components: a $(114.8) million deficit due to the unfunded portion of employee benefit liabilities and $57.8 million, which represents the programmable fund balance on an IPSAS basis. From the programmable fund balance an amount of $24.8 million is available for reprogramming in 2016.

46. As at the end of 2015, the designated fund balance was $38.3 million. Of that amount, $3.2 million represents the cumulative excess of procurement handling fees over expenses; those funds were set aside in prior years to facilitate procurement services resource planning. The remaining designated fund balance of $35.1 million is attributed to a private endowment fund. During 2015, UNFPA fully utilized the $5.9 million accumulated excess cost recoveries brought forward from 2014.

47. The operational reserve has been reduced by $16.7 million, in compliance with UNFPA financial regulations and rules, which set the amount of the reserve equal to 20 per cent of net unearmarked contribution revenue for the year.

48. The earmarked resources fund balance went up by $54.2 million, from $675.4 million at the end of 2014 to $729.6 million at the end of 2015. The increase is primarily the result of a $53.7 million increase in earmarked contributions receivable.

Conclusion

49. UNFPA managed to close the 2015 fiscal year in good financial health and ensure that its outstanding commitments remained within the financial resources available.

Chapter V

Financial statements for the year ended 31 December 2015

United Nations Population Fund

I. Statement of financial position as at 31 December 2015[a]

(Thousands of United States dollars)

	Reference	*As at 31 December 2015*	*As at 31 December 2014*
Assets			
Current assets			
Cash and cash equivalents	Note 3	77 359	59 385
Investments maturing within one year	Note 4	309 171	378 448
Inventories	Note 5	58 959	54 282
Contributions receivable (exchange transactions)	Note 6	40	171
Contributions receivable (non-exchange transactions)	Note 6	180 253	117 239
Prepayments and other current assets	Note 6	30 836	28 449
Operating fund advances	Note 7	10 830	13 864
Total		**667 448**	**651 838**
Non-current assets			
Investments maturing after one year	Note 4	393 902	496 920
Contributions receivable (non-exchange transactions)	Note 6	120 589	111 659
Other non-current assets	Note 6	11	10
Property, plant and equipment	Note 8	33 980	34 123
Intangible assets	Note 9	672	648
Total		**549 154**	**643 360**
Total assets		**1 216 602**	**1 295 198**
Liabilities			
Current liabilities			
Accounts payable and accruals	Note 10	112 227	212 434
Employee benefits	Note 12	34 787	31 782
Other current liabilities and deferred revenue	Note 13	2 352	17 647
Total		**149 366**	**261 863**
Non-current liabilities			
Employee benefits	Note 12	267 876	300 302
Other non-current liabilities and deferred revenue	Note 13	4 988	5 603
Total		**272 864**	**305 905**
Total liabilities		**422 230**	**567 768**
Net assets		**794 372**	**727 430**

	Reference	*As at 31 December 2013*	*As at 31 December 2014*
Reserves and fund balances			
Reserves			
Operational reserve	Note 14	78 394	95 128
Reserve for field accommodation	Note 14	5 000	5 000
Total reserves		**83 394**	**100 128**
Fund balances			
Designated unearmarked fund balances	Note 14	38 299	45 692
Undesignated unearmarked and earmarked fund balances			
Unearmarked resources	Note 14	(56 961)	(93 762)
Earmarked resources	Schedule B	729 640	675 372
Total fund balances		**710 978**	**627 302**
Total reserves and fund balances		**794 372**	**727 430**

[a] The accompanying notes are an integral part of the financial statements.

United Nations Population Fund

II. Statement of financial performance for the year ended 31 December 2015[a]

(Thousands of United States dollars)

	Reference	*2015*	*2014*
Contribution revenue			
Unearmarked contributions	Schedule A	398 197	477 392
Less: transfers to other revenue for reimbursement of tax charges		(5 947)	(5 483)
Subtotal	Note 15	**392 250**	**471 909**
Earmarked contributions	Note 15	547 756	495 415
Less: refunds to donors		(4 489)	(3 672)
Subtotal		**543 267**	**491 743**
Total contribution revenue	Note 15	**935 517**	**963 652**
Other revenue	Note 16	57 280	61 476
Total revenue		**992 797**	**1 025 128**
Expenses			
Staff costs	Note 18	263 832	256 088
Reproductive health and other programme-related goods	Note 18	159 363	168 819
Development and training of counterparts	Note 18	118 876	118 814
Supplies, materials and operating costs	Note 18	164 403	168 623
Contracted and professional services	Note 18	159 088	176 123
Finance costs	Note 18	710	608
Travel	Note 18	69 251	83 139
Depreciation and amortization	Notes 8, 9, 18	6 674	5 822
Impairment	Note 18	263	(4)
Other expenses	Note 18	34 916	24 084
Total expenses	Note 18	**977 376**	**1 002 116**
Surplus for the year	Statements III and IV	**15 421**	**23 012**

[a] The accompanying notes are an integral part of the financial statements.

United Nations Population Fund

III. Statement of changes in net assets for the year ended 31 December 2015[a]

(Thousands of United States dollars)

	Reference	*Fund balances*	*Reserves*	*Total net assets*
Balance as at 1 January 2014		**662 735**	**96 660**	**759 395**
Movements in fund balances and reserves in 2014				
Transfers to/from operational reserve		(3 468)	3 468	–
Staff-related benefits		(54 977)	–	(54 977)
Transfers within UNFPA resources				
Reserve for field accommodation		(1 828)	1 828	–
Surplus/(deficit) for the period	Statement II	24 840	(1 828)	23 012
Total movements during the period		**(35 433)**	**3 468**	**(31 965)**
Balance as at 31 December 2014	Statement I	**627 302**	**100 128**	**727 430**
Movements in fund balances and reserves in 2015				
Transfers to/from operational reserve	Note 14	16 734	(16 734)	–
Staff-related benefits	Note 14	51 521	–	51 521
Transfers within UNFPA resources				
Reserve for field accommodation	Note 14	(380)	380	–
Surplus/(deficit) for the period	Note 14, statement II	15 801	(380)	15 421
Total movements during the period		**83 676**	**(16 734)**	**66 942**
Balance as at 31 December 2015	Statement I	**710 978**	**83 394**	**794 372**

[a] The accompanying notes are an integral part of the financial statements.

United Nations Population Fund

IV. Cash flow statement for the year ended 31 December 2015[a]

(Thousands of United States dollars)

	Reference	*2015*	*2014*
Cash flows from operating activities			
Surplus for the period	Statement II	15 421	23 012
Foreign-exchange holding loss/(gains) on cash and cash equivalents		146	117
Depreciation and amortization	Notes 8, 9, 18	6 674	5 822
Impairment and write-off of property, plant and equipment		268	6
Loss/(gain) on disposal of property, plant and equipment	Note 18	704	748
Investment revenue (gain)	Note 16	(6 801)	(5 645)
Increase/(decrease) in allowances for doubtful accounts	Notes 5, 6, 7	449	142
(Increase)/decrease in inventories	Note 5	(4 769)	(7 723)
(Increase)/decrease in contributions receivable	Note 6	(71 786)	56 541
Decrease/(increase) in operating fund advances	Note 7	3 040	1 229
(Increase)/decrease in prepayments and other assets		(3 434)	(11 888)
(Decrease)/increase in accounts payable and accruals	Note 10	(100 207)	78 970
(Decrease)/increase in employee benefit obligations	Note 12	(29 421)	72 753
(Decrease)/increase in other liabilities and deferred revenue	Note 11, 13	(15 861)	14 977
Actuarial gain/(loss)	Statement III	51 521	(54 977)
Net cash flows from operating activities		**(154 056)**	**174 084**
Cash flows from investing activities			
Purchase of/adjustments to property, plant and equipment and intangible assets	Notes 8, 9	(7 897)	(9 648)
Proceeds of sale of property, plant and equipment		374	270
Purchase of investments	Note 4	(523 743)	(859 983)
Maturities of investments	Note 4	690 032	620 785
Interest received	Notes 4, 6, 16	13 459	11 875
Net cash flows from investing activities		**172 225**	**(236 701)**
Cash flows from financing activities			
Payment of finance lease liabilities	Note 11	(49)	–
Net cash flows from financing activities		**(49)**	–
Net increase/(decrease) in cash and cash equivalents		**18 120**	**(62 617)**
Cash and cash equivalents at the beginning of the period	Note 3	59 385	122 119
Foreign-exchange holding (loss)/gains on cash and cash equivalents		(146)	(117)
Cash and cash equivalents end of the period	Note 3	**77 359**	**59 385**

[a] The accompanying notes are an integral part of the financial statements.

The cash flow statement is presented using the "indirect method".

United Nations Population Fund

V (a). Statement of comparison of budget with actual amounts for the year ended 31 December 2015[a]

(Thousands of United States dollars)

	2015			
Budget line	*Original budget*	*Final budget*	*Budget utilization*	*Variance balance of resources*
Development activities				
Development effectiveness	34 571	32 918	31 178	1 740
Programmes	342 110	322 790	309 778	13 012
Management activities				
Recurring costs	117 891	113 736	105 006	8 730
Non-recurring costs	3 229	2 919	1 992	927
United Nations development coordination	2 050	2 076	2 076	–
Total	**499 851**	**474 439**	**450 030**	**24 409**

[a] The accompanying notes are an integral part of the financial statements.

V (b). Statement of comparison of budget with actual amounts for the biennium 2014-2015 of the current strategic plan cycle for quadrennial 2014-2017[a]

(Thousands of United States dollars)

	Biennium 2014-2015			
Budget line	*Original budget*	*Final budget*	*Budget utilization*	*Variance balance of resources*
Development activities				
Development effectiveness	71 431	65 295	61 559	3 736
Programmes	697 410	678 990	647 235	31 755
Management activities				
Recurring costs	234 934	229 531	211 354	18 177
Non-recurring costs	8 585	8 125	4 418	3 707
United Nations development coordination	4 150	4 057	4 057	–
Total	**1 016 510**	**985 998**	**928 623**	**57 375**

[a] The accompanying notes are an integral part of the financial statements.

The scope of the budget for the purpose of statement V includes the institutional budget and programme activities funded from unearmarked resources. Further details are provided in note 2 (xxv) to the financial statements.

United Nations Population Fund
Notes to the financial statements

Note 1
Mission statement, organizational objectives and reporting entity

Mission statement

The United Nations Population Fund (UNFPA) is the lead United Nations agency that supports the integration of population issues into the global development agenda in order to ensure inclusive policies for individual well-being and resilience, sustained inclusive economic growth and sustainable development. We support countries to promote and protect the human rights of all persons, including through ensuring universal access to sexual and reproductive health, especially for women and young people; build capacity for the collection, analysis and use of population data for policies and programmes to eliminate poverty and redress inequality as well as effectively monitor progress; and to ensure that every pregnancy is wanted, every childbirth is safe and every young person's potential is fulfilled, while protecting the environment for current and future generations.

Organizational objectives

The Fund works to advance the right to sexual and reproductive health by accelerating progress towards achieving the goals of the International Conference on Population and Development beyond 2014 and the 2030 Agenda for Sustainable Development, including the unfinished Millennium Development Goal to improve maternal health, with priority on reducing maternal deaths and achieving universal access to sexual and reproductive health services, including voluntary family planning. Through that focus, the Fund aims to improve the lives of underserved populations, especially women, adolescents and youth in more than 150 countries. Its work is guided by its expertise in population dynamics, human rights and gender equality and driven by country needs. The Fund is a catalyst for action and advocacy, partnering with Governments, other United Nations agencies, civil society and the private sector to make a positive difference in the lives of billions of people, especially those most in need. In addition, the Fund helps countries to use population data to anticipate tomorrow's challenges through providing empowering technical guidance, policy advice, training and support, and it advocates for the mobilization of the resources and political will necessary to accomplish its work.

UNFPA is guided by, and promotes, the goals and principles of the Programme of Action of the International Conference on Population and Development (1994), the key actions for the further implementation of the Programme of Action and the Framework of Action for the follow-up to the Programme of Action of the International Conference on Population and Development beyond 2014. In particular, UNFPA is committed to advancing sexual and reproductive health and reproductive rights, gender equality and male responsibility, and to the autonomy and empowerment of women and girls everywhere. All couples and individuals have the right to decide freely and responsibly the number and spacing of their children, as well as the right to the information and means to do so. UNFPA believes that safeguarding and promoting those rights and promoting the well-being of adolescents and youth, especially girls, are development goals in themselves, in addition to being critical to achieving inclusive and transformational sustainable development.

UNFPA firmly believes that meeting those goals will contribute to improving the quality of life and to the universally accepted aim of achieving sustainable development for current and future generations. The goals are an integral part of all efforts to achieve sustained and sustainable social and economic development that meets human needs, ensures well-being and protects the natural resources on which all life depends. UNFPA recognizes that all human rights are universal, indivisible, interdependent and interrelated — they apply to all people in all cases.

UNFPA supports efforts to ensure a coherent, coordinated United Nations that is responsive to the transformational 2030 Agenda, including a field presence, under the leadership of a strengthened resident coordinator in a collegial and participatory resident coordinator system. UNFPA plays an active and leading role in the inter-agency processes to facilitate progress towards the achievement of United Nations reform goals for greater development impact.

UNFPA continues to assist in the mobilization of resources from both developed and developing countries, following the commitments made by all countries in the Programme of Action as well as in related United Nations major conferences and summits to ensure that the goals of the International Conference on Population and Development are met.

Reaching the goals of the Programme of Action is also essential for achieving the 2030 Agenda, whose goal of leaving no one behind is fully aligned with the Programme of Action, and have the overarching aim of ending extreme poverty, ensuring that all persons enjoy human rights and protect the environment for current and future generations. The focus of the two interlinked agendas on demographic dividends, women's empowerment and gender equality, resilience and data for development makes the special expertise of UNFPA in reproductive health and reproductive rights and population and development issues even more relevant to the worldwide collaborative effort of achieving the Sustainable Development Goals. UNFPA, working in multiple partnerships, supports gender-sensitive policies and programmes to achieve the Sustainable Development Goals. Those partnerships are customized to national and local circumstances.

Reporting entity

UNFPA is a subsidiary organ of the General Assembly. It receives overall policy guidance from the General Assembly and the Economic and Social Council. On administrative, financial and programme matters, UNFPA reports to its governing body, the Executive Board of the United Nations Development Programme (UNDP), UNFPA and the United Nations Office for Project Services (UNOPS).

UNFPA has its headquarters in New York and operates in over 150 regional, subregional, country and liaison offices around the world.

Note 2
Accounting policies

Summary of significant accounting policies

The financial statements reflect the application of the following significant accounting policies.

(i) Accounting convention

The financial statements have been prepared on the accrual basis of accounting in accordance with the Financial Regulations and Rules of UNFPA and the International Public Sector Accounting Standards (IPSAS).

(ii) Financial period

The period covered by the financial statements is the year ended 31 December 2015.

(iii) Unit of account

The unit of account used in the financial statements is the United States dollar. Where transactions have been made in other currencies, the equivalent in United States dollars is established using the appropriate United Nations operational rate of exchange. One exception was made in 2015 for Venezuela, as part of the way through the year United Nations organizations were able to participate in the *sistema marginal de divisas de Venezuela* for non-salary disbursements in Venezuelan bolivars. Those transactions were converted using the *sistema marginal de divisas*, not the United Nations operational rate of exchange, which enabled a much more accurate representation of the economic costs incurred by UNFPA in its operations.

The amounts in the statements and schedules are rounded to the nearest thousand dollars and in the notes to the nearest million or thousand dollars, as indicated. Totals may not add up due to rounding.

(iv) Cash and cash equivalents

Cash and cash equivalents include cash on hand, money market and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Financial instruments classified as cash equivalents include investments with a maturity of three months or less from the date of acquisition.

(v) Financial assets

Financial assets maturing within one year of the reporting date are classified as current assets. Financial assets with a maturity date of more than one year after the reporting date are classified as non-current assets.

Financial assets denominated in foreign currency are translated into United States dollars at the United Nations operational rate of exchange prevailing at the reporting date, with gains and losses recognized in surplus or deficit in the statement of financial performance.

UNFPA classifies financial assets into the following categories: at fair value through surplus or deficit; loans and receivables; held to maturity; and available for sale. The classification, which depends on the purpose for which the financial instruments are acquired, is determined at initial recognition and re-evaluated at each reporting date. All financial assets are initially measured at fair value. UNFPA initially recognizes loans and receivables on the date they originated. All other

financial assets are recognized initially on the trade date, which is the date UNFPA becomes a party to the contractual provision of the instrument.

IPSAS classification	*Financial asset*
Held to maturity	Investments
Available for sale	Investments — none as at 31 December 2015 and 31 December 2014
Loans and receivables	Cash and cash equivalent, contributions receivable, operating fund advances and other receivables
Fair value through surplus or deficit	Derivatives — none as at 31 December 2015 and 31 December 2014

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intention and ability to hold to maturity. They are initially recognized at fair value plus transaction costs and subsequently recognized at amortized cost calculated using the effective interest method. In 2015, UNFPA classified its investment portfolio as held-to-maturity assets.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets either designated in this category or not classified in any of the other categories. They are initially recognized at fair value plus transaction costs and subsequently reported at fair value, with any resultant fair value gains or losses recognized directly in net assets/equity. Interest on available-for-sale financial assets is calculated using the effective interest method. When an available-for-sale financial asset is derecognized, the gain or deficit accumulated in net assets/equity is reclassified to surplus or deficit in the statement of financial performance. Fair values used for subsequent measurement are based on quoted market prices from reputable vendors. As at 31 December 2015, UNFPA had no outstanding balances of financial assets classified in this category.

Loans and receivables financial assets

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value plus transaction costs. Subsequent to recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss, if applicable. The market value is also disclosed in the notes to these statements. These instruments are assessed at each reporting date to determine whether there is objective evidence of impairment, such as default of a debtor, at specific asset level. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

Contributions receivable from exchange and non-exchange transactions are stated at nominal value less allowance for doubtful amounts.

Fair value through surplus or deficit financial assets

Fair value through surplus or deficit financial assets are assets that are designated on initial recognition or are held for trading. The assets are initially recognized at fair value and any transaction costs are expensed. They are measured at fair value at each reporting date, and any resultant fair value gains or losses are recognized through surplus or deficit.

UNFPA classifies derivatives as financial assets at fair value through surplus or deficit in the statement of financial performance. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties. The fair value of derivatives is obtained from counterparties and is compared with internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the reporting date. As at 31 December 2015, UNFPA had no open foreign exchange derivative instruments positions in this asset category and did not have any embedded derivatives requiring separate accounting at fair value through surplus or deficit in the statement of financial performance. UNFPA does not apply hedge accounting for derivatives.

All categories of financial assets are assessed at each reporting date to determine whether there is objective evidence that an asset or group of assets is impaired. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset. Impairment losses are recognized in surplus or deficit in the statement of financial performance (directly or through the use of an allowance account) in the year they arise.

(vi) Inventories

UNFPA inventory consists primarily of reproductive health commodities and other programme-related goods, controlled by UNFPA and held for distribution to beneficiaries or for sale to third parties. Inventory is valued at the lower of cost and current replacement cost and is expensed when control is transferred from UNFPA to external party. As at the reporting date, UNFPA inventory goods are either located in identifiable premises (i.e. form "static inventory") or are in transit and not yet physically received at their destination (i.e. form "inventory in transit").

UNFPA classifies its inventory into two distinct groups. One group represents inventory that is procured and managed as part of two revolving funds: the Global Contraceptive Commodity Programme and AccessRH. The Global Contraceptive Commodity Programme was set up to provide essential stocks of reproductive health kits primarily for humanitarian emergencies in developing countries. The AccessRH revolving fund was established to build up inventory of contraceptives. Goods in both funds are held in stock and are available to UNFPA field offices and for sale to external clients. The cost of the goods is established using the weighted average cost method, since it enables UNFPA to offer consistent pricing to internal and external clients.

The second group of UNFPA inventory represents goods procured from external suppliers through individual purchasing orders. The goods are shipped directly from suppliers to receiving field offices. The cost of the goods is

established using actual cost. This approach allows maximum accuracy in the valuation of UNFPA inventory at a point in time.

The cost of inventory includes purchasing costs, conversion costs (for example, kitting services) and other costs incurred in bringing the goods to their existing location and condition (for example, freight costs). For field office inventory, other costs are determined based on standard costs. For inventory acquired through a non-exchange transaction (for example, contributions in kind), the fair value is deemed to be equal to cost.

Items of property, plant and equipment on route to implementing partners as at the reporting date and under UNFPA control are recorded as property, plant and equipment-like inventory in transit based on actual cost. Those items are expensed upon transfer.

(vii) Allowance for doubtful accounts

Contributions receivable. An analysis of outstanding unearmarked contributions receivable is carried out and, where collection is considered doubtful, an allowance is made. Any contributions receivable that are outstanding for more than three years are presumed to be doubtful. All contributions receivable are presented in statement I net of the value of these allowances.

An analysis of outstanding earmarked contributions receivable is carried out, with particular reference to receivables that remain unpaid beyond their due date and/or at the expiry date of the agreement. If a mutual understanding is reached between the parties to reduce a contribution prior to expiration of the agreement, contribution and related receivable are directly reduced. In cases where at the expiry date of the agreement, UNFPA has received no communication from the donor or the donor has taken a unilateral decision to withdraw from the agreement, the outstanding contributions are considered doubtful and an allowance is made.

Operating fund advances. An analysis of outstanding operating fund advances is carried out and, when recovery is considered doubtful, an allowance is made. Operating fund advances are presented in statement I net of the value of these allowances.

Other assets. An analysis of items included in other assets (staff advances, accounts receivable and other) is carried out and, where there is evidence that the recovery is doubtful, an allowance is made. These allowances are netted against assets as shown in statement I and note 6 (b).

(viii) Property, plant and equipment

The capitalization threshold for property, plant and equipment under UNFPA control is $1,000. For classes subject to depreciation, a full month's depreciation is charged in the month when an item of property, plant or equipment becomes available for use. No depreciation is charged in the month of the item's retirement.

Leasehold improvements are recognized as property, plant and equipment valued at cost and depreciated over the lower of the remaining useful life of the improvement and the lease term. The capitalization threshold for leasehold improvements is $5,000.

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost comprises original purchase price plus any other costs directly attributable to bringing an asset to the location and condition intended by management for its use. Repairs, maintenance and insurance costs are not capitalized but expensed as incurred. Where an asset is acquired through donation or the nominal right to use, the fair market value at the date of acquisition by UNFPA is deemed to be its cost.

Depreciation is provided for property, plant and equipment over their estimated useful life using the straight line method. Land and heritage assets are not subject to depreciation. The estimated useful life ranges for the different classes of property, plant and equipment are as follows:

Property, plant and equipment class	*Estimated useful life*
Vehicles	7 years
Furniture and fixtures	6-10 years
Communication and information technology equipment	2-9 years
Leasehold improvements	The shorter of the lease term or useful life
Buildings	30 years
Land	No depreciation
Heritage assets	No depreciation

(ix) Impairment of property, plant and equipment

UNFPA property, plant and equipment are not held for the primary objective of generating a commercial return and are considered "non-cash-generating" for the purpose of assessing impairment.

Impairment reviews are undertaken for all property, plant and equipment at least annually and before each reporting date. If any indication of impairment exists, the organization estimates the recoverable service amount of the affected items and writes them down accordingly.

(x) Intangible assets

Intangible assets are capitalized if their cost meets the threshold of $5,000, except for internally developed software, for which the capitalization threshold is $100,000. UNFPA classifies all activities associated with generating internally developed intangible assets into a research phase and a development phase. Costs incurred during the research phase are recognized as expenses and are included in the statement of financial performance. Directly attributable costs incurred during the development phase, after intangible assets have met recognition criteria, are capitalized. Directly attributable costs include expenditures on personnel developing the asset and the cost of services, supplies and materials consumed in generating the asset. Other development expenses that do not meet the capitalization criteria are recognized as an expense as incurred.

Amortization is provided over the estimated useful life using the straight line method. The estimated useful life ranges for classes of intangible asset are as follows:

Intangible asset class	*Estimated useful life*
Software acquired separately	3-10 years
Software developed internally	3-10 years
Intangible assets under development	Not amortized
Licences and rights	The shorter of the agreement term and useful life in a range of 2-6 years

(xi) Financial liabilities

UNFPA classifies financial liabilities into the following categories: fair value through surplus or deficit and other financial liabilities.

IPSAS classification	*Financial liability*
Other financial liabilities	Accounts payable and accrued liabilities, funds held on behalf of donors, advances payable, other liabilities
Fair value through surplus or deficit	Derivatives

Financial liabilities are mainly accounts payable in respect of goods and services that have been received by UNFPA but not paid for as at the reporting date, unspent funds held for future refunds and other miscellaneous items such as unapplied cash deposits. They are classified as "other financial liabilities", and therefore are initially recognized at fair value and, when applicable, subsequently measured at amortized cost using the effective interest rate method. Financial liabilities entered into with a duration of less than 12 months are recognized at their nominal value.

Derivatives are classified as "financial liabilities at fair value through surplus or deficit". These liabilities are designated on initial recognition or are held for trading. They are measured at fair value at each reporting date and changes therein are recognized in surplus or deficit in the statement of financial performance. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties. Those include derivatives embedded in time deposits that permit the instrument to be repaid by counterparties in an alternative currency in exchange for a higher yield. The fair value of derivatives is obtained from counterparties and is compared with internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Liabilities in this category are classified as current liabilities if they are expected to be settled within 12 months of the reporting date. As at 31 December 2015, UNFPA had no open foreign exchange derivative instruments and did not have any embedded derivatives requiring separate accounting at fair value through surplus or

deficit in the statement of financial performance. UNFPA does not apply hedge accounting for derivatives.

(xii) Employee benefit liabilities

Employees are defined as staff members, within the meaning of Article 97 of the Charter of the United Nations, whose employment and contractual relationship is defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. In practice, this means those persons with a temporary, fixed-term or continuing contract, including Junior Professional Officers.

Obligations for new employees are recognized from the date they report to their duty station.

UNFPA employee benefits are classified into short-term and post-employment benefits.

Short-term employee benefits

Short-term employee benefits are employee entitlements that are due to be settled within 12 months after the end of the reporting period in which the employee renders the related service. These benefits are comprised of accumulated annual leave, home leave and other short-term benefits.

Annual leave is an accumulating compensated absence, whereby an employee is entitled to monetary settlement of the accrued balance upon separation from service, up to a maximum of 60 days. The organization therefore recognizes as a liability the value of the total accumulated leave days of all staff members as of the balance sheet date.

Home leave travel is available to eligible staff and dependants serving in qualifying countries. The liability represents the expected travel cost of the next home leave entitlement for qualifying staff, as adjusted for the proportion of service yet to be performed until the benefit is vested.

Owing to the short-term nature of these entitlements, the liability is not discounted for the time value of money.

Post-employment employee benefits

Post-employment benefits provided by UNFPA are:

- After-service health insurance, which provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependants. The after-service health insurance liability represents the present value of the share of UNFPA medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff.
- End-of-service entitlements, which comprise repatriation grant, shipping costs and travel expenses. A liability is recognized from when the staff member joins UNFPA and is measured as the present value of the liability for settling these entitlements when the staff member leaves UNFPA employment.

These benefits are categorized as defined benefit plans. Defined benefit plans are those where the obligation of UNFPA is to provide agreed benefits and therefore

UNFPA bears the actuarial risk, that is, that the benefits will cost more or less than expected.

The liability for defined benefit plans is measured at the present value of the defined benefit obligation. Movements in the liability from actuarial gains and losses are recognized in net assets. All other changes in the liability are recognized in the statement of financial performance in the period in which they occur.

The discount rate used in determining the present value of the liability for post-employment benefits is based on high-quality corporate bond rates.

United Nations Joint Staff Pension Fund

UNFPA is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified in article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UNFPA and the United Nations Joint Staff Pension Fund, in line with the other participating organizations in the Fund, are not in a position to identify the proportionate share of UNFPA of the defined benefit obligations, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence UNFPA has treated this plan as if it was a defined contribution plan in line with the requirements of IPSAS 25. UNFPA contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

(xiii) Revenue

UNFPA is primarily funded from voluntary contributions that fall into two distinct categories:

(a) Unearmarked contributions (also referred to as regular, core or unrestricted contributions) represent resources that are unrestricted as to use;

(b) Earmarked contributions (also referred to as other, non-core or restricted contributions) represent resources that are earmarked by the donors as to their use. These include trust funds and special funds. Special funds include the Junior Professional Officers programme, procurement services — non-third-party services related, and other funds.

For both types of contributions, revenue is recognized upon the earlier of the receipt of cash or signing of a binding agreement. Very exceptionally, where resources are provided subject to specific conditions or when contributions are explicitly given for a specific year, recognition may be deferred until those conditions have been satisfied.

UNFPA participates in pooled funding arrangements with other United Nations organizations and acts as the administrative agent for some pooled funds. The UNFPA share of those pooled contributions is recognized at the time of disbursement of the funds by the administrative agent.

Contributions of goods in kind are recognized as contributions on the face of the financial statements. Goods in kind are initially recorded at their fair value on the date of signing of an enforceable agreement determined by reference to observable market values or by independent appraisals. Contributions of services in kind are not recognized as revenue. A majority of services in kind relate to various consulting services received free of charge.

Revenue from the sale of goods is recognized upon transfer of the goods; revenue from rendering procurement services is recognized based on the value of the procurement services delivered.

(xiv) Refunds to donors

Refunds arising on expiry or termination of agreements are recognized when instructions are received from donors requesting repayments. All refunds to donors are shown as a reduction in contributions revenue. Refunds to donors are disclosed in statement II, note 15 and schedule B.

(xv) Expenses

A significant percentage of programme activities is implemented by Governments and non-governmental organizations (NGOs). Although UNFPA cannot impose a specific basis of accounting on such organizations, these implementing partners are required to report expenses based on the completion of activities funded by UNFPA.

Where the programme activities are implemented by Governments and NGOs, these implementing partners provide UNFPA with reports documenting their use of resources, which are the basis for recording programme expenses in the UNFPA accounts. Where UNFPA decides to advance funds to its implementing partners, the advances are made on the basis of cash projections and are liquidated on the basis of the reports submitted by the implementing partners. Advances to implementing partners that remain outstanding at the end of the year are classified as "operating fund advances" in statement I.

Where the programme activities are implemented by United Nations agencies, those implementing partners also provide UNFPA with reports documenting their use of UNFPA resources. The reports define expenses according to the accounting policies of the United Nations agency reporting the expenses.

The support costs incurred by and paid to implementing partners are reported as expenses under funds utilized by implementing partners.

The indirect costs charged to activities funded by earmarked contributions to cover costs related to the management and administration of such activities are not shown as expenses except in note 24 (b) and schedule B. Indirect costs are recovered based on the following rates:

(Percentage)

Agreement type	*Rate*
Standard co-financing agreements signed after 1 January 2014	8
Thematic trust funds	7
Contributions from programme Governments contributing to their own country programme	5
Umbrella agreements	Based on umbrella agreement
Co-financing agreements signed prior to 2014, with cost extension signed after 1 January 2014	8
Co-financing agreements signed prior to 2014, without cost extension signed after 1 January 2014	7

(xvi) Exchange gains and losses

All exchange gains and losses, including those arising from contributions receivable, accounts payable, cash and cash equivalents, investments, advances and other monetary balance sheet accounts, are reported within "other revenue" and "other expenses", respectively. All monetary assets and liabilities held in currencies other than the United States dollar are revalued using the United Nations operational rate of exchange in effect as at 31 December 2015.

(xvii) Leases

Leases are classified as either operating or finance leases.

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of an item of property, plant and equipment to UNFPA, regardless of whether or not the legal title is eventually transferred to UNFPA. The lease term for a finance lease normally covers the majority of the estimated useful life of the leased item. Property, plant and equipment acquired under a finance lease is recorded in the asset registry and is subject to depreciation in the same way as purchased property, plant and equipment. The value capitalized equals the lower of the fair value of the leased item and the present value of the minimum lease payments, as calculated at the inception of the lease.

Operating leases are leases other than finance leases. Operating lease expenses are recognized on a straight line basis over the lease term. The value of future lease payments within the current lease term is disclosed in the notes to these financial statements.

(xviii) Donated rights to use

In a number of locations UNFPA occupies premises at no cost through donated right-to-use agreements granted by the host Governments. Based on the length of agreements (or "lease term") and termination clauses, the donated rights to use can be similar to nominal operating leases or nominal finance leases. In the latter case,

UNFPA is given control over premises for as long as the organization operates in the country and uses the premises.

In the case of operating lease similar agreements (principally short term), an expense and a corresponding revenue amount equal to the annual market rent of similar premises is recognized in the financial statements. In the case of finance lease similar agreements (principally long term), the fair market value of the property is capitalized and revenue is recognized immediately upon assuming control of the premises for the same amount, unless the property is transferred to UNFPA with specific conditions. In those situations, a deferred revenue amount is recognized equal to the entire fair market value of the property (or respective share) occupied by UNFPA, which is progressively recognized as revenue and offsets the corresponding depreciation charged over the shorter of the useful life of the property and the right-to-use term.

(xix) Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount. UNFPA recognizes provisions when all of the following three requirements are satisfied: (a) UNFPA has a present legal or constructive obligation as a result of past events; (b) it is probable that UNFPA will be required to settle the obligation; and (c) a reliable estimate can be made of the obligation.

Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNFPA; or present obligations that arise from past events but that are not recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations; or the amount of the obligations cannot be reliably measured.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNFPA.

(xx) Related parties disclosures

Relevant transactions with third parties related to UNFPA are disclosed. Related parties to UNFPA are those with the ability to exercise significant influence over UNFPA financial and operating decisions. For UNFPA, these are key management personnel and close members of the family of key management personnel, identified as members of the UNFPA Executive Committee, the Director of the Office of Audit and Investigation Services, the Director of the Evaluation Office and the Chiefs of the Procurement and Management Information Services branches. Any other individual acting in one of these roles as officer-in-charge for three months or more in a calendar year is also included. UNFPA discloses the value of transactions with these parties, including salaries and any loan obtained at conditions not generally available.

The UNFPA Executive Board is also considered a related party of the organization as a whole; there are no transactions to be reported. Significant financial transactions occur with UNDP, but they are not separately disclosed as the organization does not have the power to influence the financial and operating policy

decisions of UNFPA and given that all transactions for services provided to UNFPA occur under normal arm's length conditions.

(xxi) Commitments

Commitments are future expenses to be incurred by UNFPA on contracts entered into by the reporting date and that UNFPA has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to UNFPA in future periods, non-cancellable minimum lease payments and other non-cancellable commitments. The value of commitments as at 31 December is not recognized in the statement of financial position and is disclosed in the notes to financial statements. Commitments related to employment contracts are excluded from this disclosure.

(xxii) Procurement services

Following approval by the Governing Council at its fortieth session, in 1993, UNFPA receives funds for the procurement of supplies, equipment and services on behalf and at the request of Governments, the United Nations and its funds, programmes and specialized agencies, other intergovernmental institutions and non-governmental organizations. UNFPA receives a handling fee in respect of these procurement services at a standard rate established by the Executive Board, which was 5 per cent in 2015, recorded as part of other revenue.

These services have been reported under schedule B and schedule C. Note 16 provides further disclosure on the revenue for procurement services.

(xxiii) Use of estimates

These financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include, but are not limited to fair value of land and buildings, pension and other post-employment benefit obligations, amounts for litigations, accrued charges, contingent assets and liabilities and useful lives and degree of impairment of fixed assets. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Accounting estimates used by management for the preparation of these statements are consistent with the estimates used for the purpose of the 2014 financial statements.

(xxiv) Transitional provisions

UNFPA has used transitional provisions as follows:

- UNFPA applies the transitional provision in IPSAS 17: Property, plant and equipment, with regard to its leasehold improvements
- IPSAS 25: Employee benefits, was applied prospectively; UNFPA does not present comparative amounts for the previous four reporting periods with regard to the present value of the defined benefit obligations and experience adjustments arising on plan liabilities

- IPSAS 31: Intangible assets, was applied prospectively; as a result, intangible assets that were acquired or internally developed before 1 January 2012 have not been capitalized.

(xxv) **Comparison of budget with actual amounts**

UNFPA prepares its budget on a modified cash basis.

Comparison between budget and actual amounts on a budget comparable basis are presented in statement V. The scope of the budget for the purpose of this statement encompasses the institutional budget plus programme activities funded from unearmarked resources. The organization's institutional budget was prepared on a quadrennial basis for the period 2014-2017 and annualized by management for the purpose of determining internal resource allocation.

The original budget is based on the projected unutilized surpluses brought forward and the initial projections of contributions for the year. The final budget reflects the actual figures for both these elements at the time of the final allocation.

Expenses on a modified cash basis for budgeted activities are presented as budget utilization.

Comparisons between actual amounts on a budget comparable basis and actual amounts reported in the financial statements are shown in note 23.

Note 3
Cash and cash equivalents

Cash and cash equivalents comprise:

(Thousands of United States dollars)

	As at 31 December 2015	*As at 31 December 2014*
Cash on hand	1	–
Cash at banks	21 708	13 288
Money market funds[a]	25 650	21 097
Time deposits[a]	30 000	25 000
Total	**77 359**	**59 385**

[a] Financial instruments with a maturity of three months or less from the date of acquisition are classified as cash equivalents.

Cash requirements for immediate disbursements are held in bank accounts. Cash in bank accounts is held predominantly in United States dollars, with a limited amount held in local currencies, as shown in note 25.

UNFPA exposure to credit risk, market risk and currency risk and its risk management activities related to financial assets, including cash and cash equivalents, are discussed in note 25.

Note 4
Investments

Investments with a maturity of three months or longer held as at 31 December 2015 are as follows:

(Thousands of United States dollars)

	As at 31 December 2015		*As at 31 December 2014*	
	Market value	*Amortized cost*	*Market value*	*Amortized cost*
Bonds	677 806	678 073	725 781	725 368
Time deposits[a]	25 000	25 000	150 000	150 000
Total	**702 806**	**703 073**	**875 781**	**875 368**
Of which:				
Maturing within one year	309 127	309 171	378 476	378 448
Maturing after one year	393 679	393 902	497 305	496 920
Total	**702 806**	**703 073**	**875 781**	**875 368**

[a] Financial instruments with maturity longer than three months

UNFPA has classified all its investments as held to maturity. Those assets are carried at amortized cost calculated using the effective interest method. Their market value shown in this note is based on quoted market prices from reputable vendors. UNFPA had no impaired investments during the year. Its exposure to credit risk, market risk and currency risk and its risk management activities related to financial assets, including cash and investments, are discussed in note 25.

Of the total investments of $703.1 million, $349.7 million are restricted in use as follows:

- Operational reserve — $78.4 million
- Funding for employee benefits liability — $187.9 million
- Principal amount of the private endowment trust — $33.7 million
- Funds held by UNFPA on behalf of other United Nations organizations in the capacity of administrative agent for these pooled funds — $44.7 million
- Reserve for field accommodation — $5.0 million
- Operational reserve — $78.4 million

The average maturity of the UNFPA investment portfolio as at 31 December 2015 was 13.3 months. The average maturity as at 31 December 2014 was 16.8 months.

In 2015 the average yield on the investment portfolio was 0.8 per cent. In 2014, the average yield on investments was 0.6 per cent.

Movements of investments during 2015 were as follows:

(Thousands of United States dollars)

	Time deposits		*Commercial paper and discount notes*		*Bonds*		*Total*	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
Opening balance	150 000	–	–	124 943	725 368	519 438	875 368	644 381
Add: Purchases	285 000	330 000	24 979	44 907	213 764	485 076	523 743	859 983
Less: Maturities	(410 000)	(180 000)	(25 000)	(170 000)	(255 032)	(270 785)	(690 032)	(620 785)
Amortization	–	–	21	150	(6 027)	(8 361)	(6 006)	(8 211)
Closing balance	**25 000**	**150 000**	–	–	**678 073**	**725 368**	**703 073**	**875 368**

The book values of bonds as at the reporting date were as follows:

(Thousands of United States dollars)

	As at 31 December 2015		*As at 31 December 2014*	
Bonds	*Market value*	*Amortized cost*	*Market value*	*Amortized cost*
Obligations of commercial banks	83 522	83 610	58 549	58 555
Non-United States sovereign obligations	139 402	139 533	155 403	155 243
Supranational organizations	284 848	284 928	318 635	318 517
United States government and agency obligations	144 939	144 906	124 611	124 494
Corporate bonds	25 095	25 096	58 456	58 434
Municipals	–	–	10 127	10 125
Total	**677 806**	**678 073**	**725 781**	**725 368**

Note 5
Inventories

Inventories held by UNFPA as at the reporting date were as follows:

(Thousands of United States dollars)

	As at 31 December 2015	*As at 31 December 2014*
Reproductive health and other programme-related goods, of which:	56 672	49 497
In transit	38 377	27 066
In stock	18 295	22 431
Provision for inventory losses	(92)	–
Property, plant and equipment-like inventory in transit	2 379	4 785
Total inventory	**58 959**	**54 282**

Reproductive health and other programme-related goods in transit as at the reporting date represent items procured internationally, under control of UNFPA,

not held in identifiable premises and not yet physically handed over to the beneficiaries or implementing partners.

The inventory movements during 2015 and 2014 are summarized as follows:

(Thousands of United States dollars)

	2015	*2014*
Inventory held as at 1 January	**54 282**	**46 559**
Additions	156 402	155 722
Issues	(151 614)	(147 685)
Provision for inventory losses	(92)	–
Inventory losses/adjustments	(19)	(314)
Inventory held as at 31 December	**58 959**	**54 282**

Note 6
Contributions receivable, prepayments and other assets

(a) Contributions receivable

Contributions receivable as at 31 December 2015 were as follows:

(Thousands of United States dollars)

	As at 31 December 2015	*As at 31 December 2014*
Non-exchange transactions		
Contributions receivable (current)	180 253	117 239
Unearmarked resources	18 614	547
Earmarked resources	161 639	116 692
Contributions receivable (non-current)	120 589	111 659
Unearmarked resources	–	–
Earmarked resources	120 589	111 659
Exchange transactions		
Contributions receivable (current)	40	171
Contributions receivable (non-current)	–	–
Total	**300 882**	**229 069**

Contributions receivable are presented net of allowance for doubtful accounts. Exchange transactions are defined as transactions for which UNFPA provides goods or services to third parties and receives from them an approximately equal value in exchange. Those transactions are similar to "commercial" exchanges. Based on the business model of UNFPA, the procurement activities on behalf of third parties are currently the only exchange transactions. Non-exchange transactions are those transactions for which UNFPA does not receive approximately equal value for goods/services it provides. UNFPA unearmarked and earmarked contributions are classified as non-exchange transactions. The distinction between current and

non-current receivables is based on the due date. Current contributions receivable are expected to be collected within 12 months of the reporting date and non-current receivables are expected to be collected after that date.

Contributions receivable from unearmarked resources represent amounts committed in current and prior years but not yet collected by the end of the reporting period. Contributions receivable from earmarked resources mainly relate to amounts that will become due and are to be collected in future years in relation to multi-year donor agreements.

Ageing analysis

Details of contributions receivable as at 31 December 2015 were as follows:

(Thousands of United States dollars)

	As at 31 December 2015		*As at 31 December 2014*	
	Unearmarked	*Earmarked*	*Unearmarked*	*Earmarked*
2011	–	–	171	–
2012	144	–	151	220
2013	115	327	146	202
2014	149	262	250	8 196
2015	18 350	3 075	–	–
Contributions receivable	**18 758**	**3 664**	**718**	**8 618**
Allowance for doubtful account	(144)	–	(171)	–
Contributions receivable not yet due as at 31 December	–	278 604	–	219 904
Total	**18 614**	**282 268**	**547**	**228 522**

A breakdown of contributions receivable from unearmarked and earmarked resources by donor is detailed in schedules A and B respectively (the schedules do not include allowances for doubtful accounts).

Allowance for doubtful contributions receivable

The movement in the allowance for doubtful contributions receivable in 2015 is summarized as follows:

(Thousands of United States dollars)

	2015	*2014*
Allowance at 1 January	**(171)**	**(278)**
Contributions receivable for which collection is now considered doubtful	(144)	(171)
Contributions receivable written off	118	228
Recoveries of contributions receivable for which collection was previously considered doubtful	53	50
Allowance at 31 December	**(144)**	**(171)**

(b) Prepayments and other current and non-current assets

Prepayments and other current and non-current assets comprised the following:

(Thousands of United States dollars)

	As at 31 December 2015	*As at 31 December 2014*
Prepayments and other current assets		
Advances to staff	4 048	4 190
Accrued interest	4 593	5 245
Prepayments	3 067	6 373
Miscellaneous accounts receivable	6 433	6 804
Due from other United Nations agencies	12 970	2 199
Receivables from procurement activities	424	3 947
Less: allowance for doubtful accounts receivable	(699)	(309)
Total	**30 836**	**28 449**
Other non-current assets		
Long term receivables	11	10
Total	**11**	**10**

Note 7
Operating fund advances

Operating fund advances by category of implementing partners were as follows:

(Thousands of United States dollars)

	As at 31 December 2015	*As at 31 December 2014*
Governments	7 281	7 430
Intergovernmental institutions and non-governmental organizations	2 304	4 989
United Nations agencies	1 345	1 551
Less: allowance for doubtful advances	(100)	(106)
Total	**10 830**	**13 864**

Note 8
Property, plant and equipment

(Thousands of United States dollars)

	Land		*Buildings*		*Furniture and fixtures*		*Information and communications technology equipment*		*Vehicles*		*Leasehold improvements*		*Assets under construction and not yet available for use*		*Total*	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
Cost																
As at 1 January	227	227	10 584	9 908	4 427	4 045	17 405	16 576	30 422	29 643	4 713	4 493	2 129	956	69 907	65 848
Additions	–	–	787	126	423	505	2 231	2 526	2 789	3 147	563	396	814	2 025	7 607	8 725
Disposals	–	–	(10)	–	(214)	(255)	(1 676)	(1 935)	(3 229)	(2 516)	(94)	(165)	–	–	(5 223)	(4 871)
Impairment	–	–	–	–	–	–	–	–	(9)	4	(4)	–	(250)	–	(263)	4
Adjustments/reclassifications	–	–	1 300	550	19	132	149	238	663	144	30	(11)	(2 129)	(852)	32	201
As at 31 December	**227**	**227**	**12 661**	**10 584**	**4 655**	**4 427**	**18 109**	**17 405**	**30 636**	**30 422**	**5 208**	**4 713**	**564**	**2 129**	**72 060**	**69 907**
Accumulated depreciation																
As at 1 January	–	–	1 330	980	2 459	2 150	10 217	10 665	19 115	18 312	2 663	1 900	–	–	35 784	34 007
Depreciation charges	–	–	466	291	405	369	1 882	1 409	2 711	2 700	976	842	–	–	6 440	5 611
Disposals	–	–	(2)	–	(147)	(167)	(1 507)	(1 695)	(2 464)	(1 885)	(24)	(87)	–	–	(4 144)	(3 834)
Adjustments/reclassifications	–	–	7	59	1	107	–	(162)	–	(12)	(8)	8	–	–	–	–
As at 31 December	–	–	**1 801**	**1 330**	**2 718**	**2 459**	**10 592**	**10 217**	**19 362**	**19 115**	**3 607**	**2 663**	–	–	**38 080**	**35 784**
Net book value as at 1 January	**227**	**227**	**9 254**	**8 928**	**1 968**	**1 895**	**7 188**	**5 911**	**11 307**	**11 331**	**2 050**	**2 593**	**2 129**	**956**	**34 123**	**31 841**
Net book value as at 31 December	**227**	**227**	**10 860**	**9 254**	**1 937**	**1 968**	**7 517**	**7 188**	**11 274**	**11 307**	**1 601**	**2 050**	**564**	**2 129**	**33 980**	**34 123**

A physical count of assets was performed and the results reconciled to the asset values in the asset register as at 31 December 2015. The physical count and the corresponding asset value are certified by both headquarters and the country offices.

Assets under construction pertain primarily to property, plant and equipment items in transit as at the reporting date. All assets under construction and not yet available as at the end of 2014 were put in service in 2015 and are presented in their respective categories. That includes premises in Brazil, which accounted for $1.3 million out of a total of $2.1 million assets under construction as at 31 December 2014.

In 2015, UNFPA recognized an impairment loss of $0.3 million for a leasehold improvement under construction in the premises of one country office. The impairment loss was recognized following a security assessment, as a result of which the premises were deemed unsafe. A recoverable service amount for the asset was established using its value in use, which was determined based on the service units approach.

UNFPA occupies one office building under a commercial finance lease arrangement. Its net book value as at the end of 2015 was $0.6 million.

The value of outstanding commitments for capital purchases as at 31 December 2015 was $1.3 million. As at 31 December 2015, the cost of fully depreciated property, plant and equipment items, which were still in use, amounted to $13.9 million ($14.1 million in 2014).

Note 9
Intangibles

Intangible assets owned by UNFPA as at 31 December 2015 consisted of internally developed and externally acquired software as follows:

(Thousands of United States dollars)

	Software acquired separately		*Software developed internally*		*Intangible assets under development*		*Total*	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
Cost								
As at 1 January	711	96	–	–	166	59	877	155
Additions	74	615	184	–	–	107	258	722
Disposals	–	–	–	–	–	–	–	–
Adjustments/reclassifications	–	–	166	–	(166)	–	–	–
As at 31 December	**785**	**711**	**350**	**–**	**–**	**166**	**1 135**	**877**
Accumulated amortization								
As at 1 January	229	18	–	–	–	–	229	18
Amortization charges	225	211	9	–	–	–	234	211
Disposals	–	–	–	–	–	–	–	–
As at 31 December	**454**	**229**	**9**	**–**	**–**	**–**	**463**	**229**
Net book value as at 1 January	**482**	**78**	**–**	**–**	**166**	**59**	**648**	**137**
Net book value as at 31 December	**331**	**482**	**341**	**–**	**–**	**166**	**672**	**648**

In 2015, UNFPA did not incur any research and development expenditure on the generation of intangible assets that were recognized as an expense during the year. As at 31 December 2015, UNFPA did not have any commitments for purchases of intangible assets.

Note 10
Accounts payable and accruals

Accounts payable and accruals comprised the following:

(Thousands of United States dollars)

	As at 31 December 2015	*As at 31 December 2014*
Accounts payable	21 238	20 310
Accrual liability	28 036	29 233
Administrative agent payable	44 719	143 178
Advance from procurement activities	6 267	10 659
Due to United Nations agencies	176	39
Operating fund payable	9 464	6 925
Payable in respect of unspent balances on expired funds	2 327	2 090
Total	**112 227**	**212 434**

"Administrative agent payable" refers to amounts received and administered by UNFPA for programme activities to be implemented by a pool of United Nations system organizations and to be distributed based on an agreed programme of work within a short time frame.

Note 11
Finance lease liability

As at 31 December 2015, UNFPA had one finance lease agreement for an office building in one programme country. The remaining obligation under this arrangement is included in the other current liabilities disclosed in Note 13 below. In 2015, UNFPA paid $0.049 million in leasing fees for the premises. The present value of the remaining minimum lease payments is $0.2 million, all of which falls due in not later than one year.

Note 12
Employee benefits

Employee benefit liabilities reflect liabilities for accumulated annual leave, home leave, repatriation benefits, after-service health insurance and other benefits, as shown below.

(Thousands of United States dollars)

	As at 31 December 2015	*As at 31 December 2014*
Current employee benefit liabilities		
Short-term benefits		
Accumulated annual leave	22 951	22 509
Accumulated home leave	2 864	2 697
Post-employment benefits		
Repatriation benefits (inactive staff)[a]	710	862
Repatriation benefits (active staff)	4 143	2 978
After-service health insurance	4 119	2 736
Total current employee benefit liabilities	**34 787**	**31 782**
Non-current employee benefit liabilities		
Repatriation benefits (active staff)	25 029	21 016
After-service health insurance	242 847	279 286
Total non-current employee benefit liabilities	**267 876**	**300 302**
Total employee benefit liabilities	**302 663**	**332 084**

[a] Inactive staff are those who had already separated from UNFPA by the reporting date.

Accumulated annual leave

Staff members holding fixed-term, temporary and continuing appointments accrue annual leave on a monthly basis. Upon the end of service, accumulated unused annual leave up to a maximum of 60 working days is commutable to cash. UNFPA values this liability through the actual computation of accumulated days of annual leave unused as at the reporting date, based on the salary scale as at that date, without discounting.

Accumulated home leave

This liability represents the accumulated amount of the anticipated travel costs for eligible staff and their dependants for their next home leave as at the reporting date. It is accrued as service is rendered, is not discounted and cannot be compensated upon end of service.

Post-employment benefits

Post-employment benefits rendered by UNFPA to its staff include after-service health insurance coverage and certain repatriation benefits, both of which represent defined benefits plans. Post-employment benefits liabilities as at 31 December 2015 were determined by an independent, qualified actuarial firm. The actuaries developed key assumptions, including discount, health-care cost trend and inflation rates as part of the 2015 valuation.

The actuarial valuation of the defined benefits obligation includes discounting the probable future payments required to settle the obligation resulting from

employee services rendered in the current and prior periods. The discount rate was determined based on the Citigroup pension discount curve.

Repatriation benefits

Upon end of service, staff members who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based upon length of service, travel and removal expenses. Those benefits are collectively referred to as repatriation benefits.

A list of major assumptions that were used by the actuary for determining the repatriation benefit liabilities as at 31 December 2015 is summarized in the table below:

(Percentage)

Major assumptions used for determining the repatriation benefits liability	*2015*	*2014*
Single equivalent discount rate	3.58	3.30
Annual salary increase	4.00 to 9.80[a]	5.00 to 10.80[a]
Travel cost increase	2.25	2.25

[a] Different rates were applied based on age and category of staff members.

On the basis of these assumptions, the present value of the accrued liability for repatriation benefits for active staff as at 31 December 2015 was estimated at $29.2 million.

A full provision has been made for those ex-staff members who at the end of 2015 had not claimed their repatriation entitlements, but for which the organization remains liable.

After-service health insurance

Upon end of service, staff members and their dependants may elect to participate in a defined-benefit UNFPA health insurance plan, provided they have met certain eligibility requirements, including 10 years of participation in a UNFPA health plan for those who were recruited after 1 July 2007 and 5 years for those who were recruited prior to this date. That benefit is referred to as after-service health insurance.

The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2015 are summarized in the table below:

(Percentage)

Major assumptions used for determining after-service health insurance liability	*2015*	*2014*
Single equivalent discount rate	4.38	4.00
Health-care cost trend rates:		
United States, non-Medicare plans	6.40, grading down to 4.50 after 8 years	6.80, grading down to 4.50 after 9 years
United States, Medicare plans	5.90, grading down to 4.50 after 7 years	6.10, grading down to 4.50 after 9 years
United States, dental plans	4.90, grading down to 4.50 after 8 years	5.00, grading down to 4.50 after 9 years
Non-United States medical plans	4.00 (flat)	5.00 (flat)

Retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits.

In determining the valuation of the organization's residual after-service health insurance liability, contributions from all plan participants are considered. Thus, contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff are also deducted to arrive at the organization's residual liability in accordance with cost-sharing ratios authorized by the General Assembly. Those ratios are summarized below:

(Percentage)

Plan	*By retiree*	*By organization*
United States plans	33.30	66.70
Non-United States plans	50.00	50.00
Medical Insurance Plan (MIP)	25.00	75.00

On the basis outlined above, the present value of the accrued liability for after-service health insurance as at 31 December 2015, net of contributions from plan participants, was as follows:

(Thousands of United States dollars)

	As at 31 December 2015	*As at 31 December 2014*
Gross liability	387 363	440 617
Offset from contributions made by plan participants	(140 397)	(158 595)
Net liability	**246 966**	**282 022**

Movement in post-employment benefits liabilities

The change in the after-service health insurance and repatriation benefits liabilities during 2015 is due to the following effects:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits (active staff)*	*Total*
As at 31 December 2014	**282 022**	**23 994**	**306 016**
Expenses recognized in 2015			
Current service cost	13 757	1 845	15 602
Interest cost	11 223	740	11 963
Total expenses recognized in 2015	**24 980**	**2 585**	**27 565**
Benefits paid (net of participant contributions)	(2 846)	(3 076)	(5 922)
Actuarial (gain)/loss	(57 190)	5 669	(51 521)
As at 31 December 2015	**246 966**	**29 172**	**276 138**

"Current service cost" is the increase in liability resulting from benefits vested to employees through services in 2015. "Interest cost" is the increase resulting from future employee benefits being closer to settlement.

"Benefits paid" corresponds to the disbursement of employee benefits in the current year and their amount is estimated by actuaries based on historical trends. Differences between those estimations and actuals are recognized in the statement of financial performance.

"Actuarial gains or losses" arise when the actuarial assessment differs from the long-term expectation of the obligations. They result from experience adjustments (differences between the previous actuarial assumptions and what has actually occurred), changes in financial assumptions and changes in demographic assumptions. Actuarial gains/losses are recognized as a change in net assets (statement III). Summary of actuarial gains/losses for 2015 is presented below:

(Thousands of United States dollars)

Actuarial losses (gains)	*After-service health insurance*	*Repatriation benefits (active staff)*	*Total*
As at 31 December 2014	113 411	5 191	118 602
Current period	(57 190)	5 669	(51 521)
As at 31 December 2015	**56 221**	**10 860**	**67 081**

The actuarial gain under after-service health insurance is primarily due to an increase in the discount rate from 4 per cent in 2014 to 4.38 per cent in 2015 and due to a decrease in health-care cost trend rates for non-United States medical plans from 5 per cent in 2014 to 4 per cent in 2015. Actuarial loss under repatriation benefit liabilities for active staff is due to experience adjustments.

The table below summarizes the present value of the post-employment benefit liabilities and experience adjustments for the current and previous three reporting periods.

(Thousands of United States dollars)

	2015	*2014*	*2013*	*2012*
After-service health insurance				
Liability as at 31 December	246 966	282 022	209 399	227 520
Experience adjustments included in the liability amounts	(1 228)	93	(607)	(169)
Repatriation benefits (active staff)				
Liability as at 31 December	29 172	23 994	24 406	21 850
Experience adjustments included in the liability amounts	6 649	(1 311)	(323)	(1 317)

Sensitivity analysis

The table below demonstrates the sensitivity of post-employment benefit liabilities and combined service and interest costs to a 1 per cent change in the single equivalent discount rate or health-care cost trend rate (all other assumptions remaining constant):

(Thousands of United States dollars)

	After-service health insurance		
	Year-end liability	*Sum of service and interest costs*	*Repatriation benefits liability (active staff)*
Single equivalent discount rate			
1 per cent increase	(41 968)		(2 343)
1 per cent decrease	54 097		2 639
Health-care cost trend rate			
1 per cent increase	55 467	5 861	
1 per cent decrease	(42 913)	(4 357)	

Funding for employee benefit liabilities

As at 31 December 2015, the unfunded portion of after-service health insurance and other staff benefit liabilities was as follows:

(Thousands of United States dollars)

	As at 31 December 2015		
Funding of employee benefits liabilities	*Accrued liability*	*Funded liability*	*Unfunded liability*
After-service health insurance	246 966	167 044	79 922
Repatriation benefits	29 882	3 114	26 768
Annual leave	22 951	16 979	5 972
Home leave	2 864	763	2 101
Total	**302 663**	**187 900**	**114 763**

In 2015, the liability was funded through:

- Interest earned on the already-funded portion of the after-service health insurance liability of $1.2 million;
- Cost accrual for after-service health insurance (net of payment of premiums), repatriation benefits, annual leave and home leave resulting from payroll charges made during 2015 of $9.4 million.

(Thousands of United States dollars)

	As at 31 December 2014			*As at 31 December 2015*
	Unfunded liability	*Increase (decrease) in liability*	*Net increase (decrease) in funding*	*Unfunded liability*
After-service health insurance	119 974	(35 056)	4 996	79 922
Repatriation benefits	22 764	5 026	1 022	26 768
Annual leave	9 900	442	4 370	5 972
Home leave	2 149	167	215	2 101
Total	**154 787**	**(29 421)**	**10 603**	**114 763**

Changes to the conditions of service and staff entitlements

In December 2015, the General Assembly adopted resolution 70/244, in which it approved a series of changes to the conditions of service and future entitlements for all staff serving in the organizations of the United Nations common system, including UNFPA. Those changes included the following:

- The mandatory age of retirement for staff members recruited before 1 January 2014 was increased from the existing 60 or 62 to 65 years of age. Implementation of this decision is due to be completed by 1 January 2018 and should take into account the acquired rights of staff.
- A unified salary scale was adopted with an effective date of 1 January 2017 for internationally recruited staff instead of the existing system of single and dependency rates.
- Proposals for the revised compensation package were approved and will come into effect on 1 July 2017.

Future estimates of employee benefit liabilities will be impacted by those decisions. However, full operational details associated with their implementation remained unknown at the time of preparation of these financial statements. The actuarial valuation was therefore based on conditions of service in effect as at 31 December 2015, without incorporating the future-dated changes.

Pension benefits

UNFPA is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multi-employer defined-benefit plan.

As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations participating in the plan, UNFPA is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes and hence has treated the plan as if it were a defined-contribution plan; thus the UNFPA share of the related net liability/asset position of the United Nations Joint Staff Pension Fund is not reflected in the financial statements.

The Regulations of the Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

The financial obligation of UNFPA to the United Nations Joint Staff Pension Fund consists of its mandated contribution at the rate established by the General Assembly, currently 7.9 per cent for the participants and 15.8 per cent for the organizations, of the applicable pensionable remuneration, together with their share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to the deficiency an amount proportionate to the total contributions which it paid during the three years preceding the valuation date.

The actuarial valuation as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve a balance as at 31 December 2013 was 24.42 per cent (25.57 per cent in the 2011 valuation) of pensionable remuneration, compared with the actual contribution rate of 23.7 per cent. The next actuarial valuation will be conducted as at 31 December 2015 (due to be completed in June 2016). As at 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5 per cent (130.0 per cent in the 2011 valuation). The funded ratio was 91.2 per cent (86.2 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account. After assessing the actuarial sufficiency of the United Nations Joint Staff Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2013, for deficiency payments under article 26 of the Regulations of the Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of preparation of these financial statements, the General Assembly had not invoked the provision of article 26.

In December 2012 and April 2013, the General Assembly authorized an increase in the normal retirement age and the mandatory age of separation to 65 years old for new participants to the Fund, with an effective date of no later than 1 January 2014. The related change to the regulations of the Fund was approved by the General Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the Fund as at 31 December 2013.

During 2015, contributions paid to the United Nations Joint Staff Pension Fund by UNFPA amounted to $31.3 million ($30.3 million in 2014).

The Board of Auditors carries out an annual audit of the United Nations Joint Staff Pension Fund and reports to the Pension Board on the audit every year. The Fund publishes quarterly reports on its investments (available at www.unjspf.org).

Note 13
Other current and non-current liabilities and deferred revenue

Other current and non-current liabilities and deferred revenue comprise the following:

(Thousands of United States dollars)

	As at 31 December 2015	*As at 31 December 2014*
Current		
Other current liabilities	541	226
Deferred revenue	1 811	17 421
Total	**2 352**	**17 647**
Non-current		
Other non-current liabilities	–	167
Deferred revenue	4 988	5 436
Total	**4 988**	**5 603**

Deferred revenue includes the unamortized portion of the donated right to use premises — finance lease similar ($4.7 million), contributions to regular and other resources received in advance ($1.4 million) and $0.7 million for the value of the rent-free period given by the landlord of UNFPA headquarters in New York.

Note 14
Unearmarked resources — movements in reserves and fund balances

(Thousands of United States dollars)

	Undesignated fund balance		*Designated fund balances*						*2015*	*2014*
	Programmable fund balance	*After-service health insurance and staff benefits fund*	*Procurement services*	*Cost recovery*	*Private endowment trust*	*Total fund balance*	*Operational reserve*	*Reserve for field accommodation*	*Total reserves and fund balances*	*Total reserves and fund balances*
		(Note 12)	*(Note 14 (a))*	*(Note 14 (b))*	*(Note 14 (c))*		*(Note 14 (d))*	*(Note 14 (e))*		
Balance as at 1 January	**61 025**	**(154 787)**	**4 324**	**5 858**	**35 510**	**(48 070)**	**95 128**	**5 000**	**52 058**	**83 417**
Net (shortfall)/excess of revenue over expenditure	(25 629)	(11 497)	–	–	(457)	(37 583)	–	(380)	(37 963)	22 968
Transfers within reserves										
To reserve for field accommodation	(380)	–	–	–	–	(380)	–	380	–	–
To operational reserve	16 734	–	–	–	–	16 734	(16 734)	–	–	–
Transfers within UNFPA resources	6 052	–	(1 078)	(5 858)	–	(884)	–	–	(884)	650
Other adjustments to resource balances										
After-service health insurance and repatriation benefits	–	51 521	–	–	–	51 521	–	–	51 521	(54 977)
Balance as at 31 December	**57 802**	**(114 763)**	**3 246**	**–**	**35 053**	**(18 662)**	**78 394**	**5 000**	**64 732**	**52 058**
Net total		**(56 961)**			**38 299**			**83 394**		

For the purpose of determining the balance of unused resources to be distributed to programme activities in 2015, the following adjustments need to be made to the fund balance represented in the table above to align with the budgetary basis: undepreciated property, plant and equipment net of unamortized donated rights to use arrangement (finance lease similar) and other liabilities ($26.9 million), inventory ($3.5 million), outstanding advances issued under a sector-wide approach modality ($2.1 million) and other internally restricted amounts ($0.5 million). The distributable balance therefore amounts to $24.8 million.

Distinction between designated and undesignated fund balances: "designated" refers to the portion of regular resource balance that is designated for a special purpose and is not available for programming; "undesignated" refers to the remaining portion of the resource balance.

(a) Procurement services

As at 1 January 2015, cumulative excess of procurement handling fee over procurement expenses was equal to $4.3 million. Those monies were set aside in the designated fund for resource planning of procurement services. In 2015, $1.1 million of the fund was utilized, reducing the fund balance to $3.2 million at the year end.

(b) Cost recovery

Throughout the period 2012-2014, UNFPA accumulated $5.9 million of cost recoveries in excess of budget. Those monies were retained in a separate fund and were intended to be used for costs associated with the implementation of projects. The accumulated amount was fully utilized in 2015.

(c) Private endowment fund

This fund was created through an endowment from the estate of the late Forrest E. Mars. The balance of $35.1 million comprises the principal of $33.7 million plus subsequent cumulative interest earned of $6.2 million, less cumulated expenses for activities of $4.8 million. Under the terms of the trust agreement, UNFPA is bound to reimburse proportionately the trustee or his heirs for any potential liability in the event of a valid claim against the estate.

(d) Operational reserve

The purpose of the operational reserve is to provide for temporary fund deficits and to ensure the continuity of programme implementation in the event of downward fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in actual costs or other contingencies. This level of operational reserve was incorporated within the UNFPA Financial Regulations and Rules endorsed by the Executive Board and set at 20 per cent of unearmarked resources contribution revenue for each year of the UNFPA work plan.

In the year ended 31 December 2015, given net contribution revenue of $392.0 million, the operational reserve was $78.4 million, as also shown in statement I.

(e) Reserve for field accommodation

At its thirty-eighth session, in 1991, the Governing Council approved the establishment of a reserve for field accommodation at the level of $5 million for the biennium 1992-1993 and authorized the Executive Director to make drawdowns from it for the purpose of financing the UNFPA share of construction costs for common premises under the auspices of the Joint Consultative Group on Policy. Field accommodation expenses incurred in 2015 were $0.4 million. As at 31 December 2015, $0.4 million had been transferred from unexpended resources to replenish the reserve for field accommodation.

Note 15
Contribution revenue

Contribution revenue for 2015 is as follows:

(Thousands of United States dollars)

	2015	*2014*
Unearmarked (core) contributions	398 197	477 392
Less: transfers to other revenue for reimbursement of tax charges	(5 947)	(5 483)
Subtotal	**392 250**	**471 909**
Contributions earmarked for:		
Co-financing	542 554	488 744
Junior Professional Officers	5 283	2 051
Contributions in kind	(81)	4 620
Less: refunds to donors	(4 489)	(3 672)
Subtotal	**543 267**	**491 743**
Total	**935 517**	**963 652**

The breakdown of unearmarked and earmarked contributions by donor is detailed in schedules A and B, respectively. Earmarked contributions in this note are presented net of UNFPA indirect costs, which are shown in note 16, under fees for support services.

"Contributions in kind" represent the value of goods received by UNFPA and utilized for its programmatic activities.

Note 16
Other revenue

Other revenue comprises the following:

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*
Investment revenue	5 709	4 534	1 092	1 111	6 801	5 645
Fees for support services	33 287	33 828	2 093	5 376	35 380	39 204
Net currency revaluation adjustments and gains/ (losses) on exchange — contributions receivable	–	–	–	–	–	–
Net currency revaluation adjustments and gains/ (losses) on exchange — others	2 301	3 280	–	97	2 301	3 377
Revenue earmarked for procurement activities	–	–	1 524	3 352	1 524	3 352
Premises occupied based on donated right to use — operating lease similar	4 333	3 387	–	–	4 333	3 387
Premises occupied based on donated right to use — finance lease similar	181	181	–	–	181	181
Reimbursement of tax charges	5 947	5 483	–	–	5 947	5 483
Miscellaneous revenue	755	737	58	110	813	847
Total	**52 513**	**51 430**	**4 767**	**10 046**	**57 280**	**61 476**

Fees for support services include indirect costs charged to other resources; fees earned by UNFPA for performing administrative agent functions; handling fees for performing procurement services and fees for administering the Junior Professional Officers programme.

Revenue and expense (see note 18) in the amount of $4.3 million was recognized for the donated right to use (operating lease similar) premises occupied in 2015 by UNFPA under this type of agreement, based on the annual rental value of similar premises as calculated by an external independent consultant.

Revenue and a depreciation charge of $0.2 million were recognized with regard to the donated right to use (finance lease similar) premises occupied by UNFPA in 2015, based on the asset valuation provided by an external independent consultant.

Note 17
Expenses by implementing agent

Total expenses, as presented in statement II, can be further detailed into funds utilized directly by UNFPA and funds utilized by implementing partners, such as Governments, non-governmental organizations and other United Nations system organizations as follows:

(Thousands of United States dollars)

	2015	*2014*
Governments	112 770	122 999
Non-governmental organizations	146 699	133 214
United Nations agencies	4 077	3 123
UNFPA	713 830	742 780
Total expenses	**977 376**	**1 002 116**

In 2015, 32.5 per cent of programme activities were implemented by Governments and non-governmental organizations (31.1 per cent in 2014). Total expenses for programme activities are disclosed in schedule D.

Note 18
Expenses by nature

Total expenses, as presented in statement II, can be further detailed "by nature", or type of resource utilized by the organization, as follows:

(Thousands of United States dollars)

	2015	*2014*
Staff costs		
Staff salaries	158 731	155 822
Pension contributions	31 261	30 263
Other employee benefit costs	73 840	70 003
Subtotal, staff costs	**263 832**	**256 088**
Reproductive health and other programme-related goods		
Reproductive health goods	143 182	156 471
Other programme-related goods	16 181	12 348
Subtotal, reproductive health and other programme-related goods	**159 363**	**168 819**
Development and training of counterparts	118 876	118 814
Subtotal, development and training of counterparts	**118 876**	**118 814**
Supplies, materials and operating costs		
Supplies and materials	19 970	22 055
Rent, repairs and maintenance	38 072	38 125
Printing, publications and media	32 983	40 886
Transportation and distribution	29 305	23 068
Other operating costs	44 073	44 489
Subtotal, supplies, materials and operating costs	**164 403**	**168 623**
Contracted and professional services		
Contracted and professional services with individuals	113 003	118 899
Contracted and professional services with companies	41 331	53 280
United Nations Volunteers expenses for contracted services	4 754	3 944
Subtotal, contracted and professional services	**159 088**	**176 123**
Finance costs (mainly bank charges)	710	608
Subtotal, finance costs	**710**	**608**
Travel	69 251	83 139
Subtotal, travel	**69 251**	**83 139**
Depreciation and amortization		
Depreciation	6 440	5 611
Amortization	234	211
Subtotal, depreciation and amortization	**6 674**	**5 822**

	2015	2014
Impairment		
Impairment of fixed assets	263	(4)
Subtotal, impairment	**263**	**(4)**
Other expenses		
Premises occupied based on donated right to use	4 333	3 387
Transfers and gains/losses from disposal of fixed assets	704	748
Net currency revaluation adjustments and losses on exchange — contributions receivable	24 097	15 584
Net currency revaluation adjustments and losses on exchange — others	5 027	3 719
Doubtful accounts expenses	718	649
Other	37	(3)
Subtotal, other expenses	**34 916**	**24 084**
Total expenses	**977 376**	**1 002 116**

Note 19
Unearmarked resources — programme activities by country/territory and region and institutional budget

(a) Total expenses for programme activities by country/territory and region

(Thousands of United States dollars)

	2015	2014
Western and central Africa		
Country/territory programmes		
Benin	1 833	1 820
Burkina Faso	3 240	3 731
Cameroon	3 065	3 263
Cabo Verde	1 020	1 000
Central African Republic	1 781	2 651
Chad	2 742	2 983
Congo	1 708	2 133
Côte d'Ivoire	3 749	4 755
Equatorial Guinea	972	611
Gabon	819	1 070
Gambia	853	993
Ghana	3 357	3 956
Guinea	2 602	2 965
Guinea-Bissau	746	1 109
Liberia	1 752	2 079
Mali	2 721	2 612

	2015	*2014*
Mauritania	1 124	1 614
Niger	3 637	3 256
Nigeria	7 400	8 046
Sao Tome and Principe	555	727
Senegal	2 110	2 799
Sierra Leone	2 359	2 574
Togo	1 447	1 228
Subtotal, country/territory programmes	**51 592**	**57 975**
Regional projects	4 961	5 014
Total	**56 553**	**62 989**
Eastern and southern Africa		
Country/territory programmes		
Angola	2 496	2 872
Botswana	600	794
Burundi	2 240	2 868
Comoros	923	1 025
Democratic Republic of the Congo	9 274	7 603
Eritrea	1 434	1 407
Ethiopia	6 338	6 528
Kenya	6 464	5 779
Lesotho	931	958
Madagascar	4 500	3 892
Malawi	3 099	3 318
Mauritius	122	89
Mozambique	4 648	5 250
Namibia	965	1 208
Rwanda	2 323	2 456
South Africa	1 704	1 949
South Sudan	3 593	5 114
Swaziland	895	1 247
Uganda	5 697	6 325
United Republic of Tanzania	4 529	4 525
Zambia	2 914	3 504
Zimbabwe	2 935	3 344
Subtotal, country/territory programmes	**68 624**	**72 055**
Regional projects	4 363	5 086
Total	**72 987**	**77 141**

	2015	2014
Arab States		
Country/territory programmes		
Algeria	382	456
Djibouti	1 033	808
Egypt	2 043	2 583
Iraq	1 704	2 445
Jordan	929	951
Lebanon	887	635
Libya	516	553
Morocco	1 303	1 564
Oman	100	100
Somalia	4 694	3 473
State of Palestine	1 361	2 085
Sudan	3 982	3 315
Syrian Arab Republic	1 825	1 933
Tunisia	459	585
Yemen	3 266	3 530
Subtotal, country/territory programmes	**24 484**	**25 016**
Regional projects	4 763	5 203
Total	**29 247**	**30 219**
Asia and the Pacific		
Country/territory programmes		
Afghanistan	6 241	6 080
Bangladesh	7 043	7 470
Bhutan	936	1 004
Cambodia	3 228	3 760
China	3 696	3 998
Democratic People's Republic of Korea	1 265	1 417
India	10 053	10 657
Indonesia	4 214	4 815
Iran (Islamic Republic of)	1 618	1 468
Lao People's Democratic Republic	2 286	2 465
Malaysia	403	393
Maldives	452	463
Mongolia	1 628	2 189
Myanmar	5 110	6 141
Nepal	4 376	4 224
Pacific multi-islands[a]	4 473	4 898
Pakistan	6 717	5 758

	2015	*2014*
Papua New Guinea	1 891	1 938
Philippines	3 849	5 658
Sri Lanka	1 258	1 733
Thailand	1 515	1 667
Timor-Leste	1 743	2 045
Viet Nam	3 844	4 540
Subtotal, country/territory programmes	**77 839**	**84 781**
Regional projects	6 770	6 250
Total	**84 609**	**91 031**
Latin America and the Caribbean		
Country/territory programmes		
Argentina	527	677
Bolivia (Plurinational State of)	1 146	1 243
Brazil	1 501	2 051
Caribbean, English- and Dutch-speaking[b]	2 293	2 864
Chile	267	172
Colombia	1 061	1 678
Costa Rica	508	576
Cuba	710	883
Dominican Republic	880	909
Ecuador	710	1 040
El Salvador	989	1 220
Guatemala	1 531	1 690
Haiti	3 067	3 268
Honduras	1 284	1 369
Mexico	1 073	1 188
Nicaragua	1 270	1 406
Panama	534	702
Paraguay	791	979
Peru	1 368	1 662
Uruguay	658	600
Venezuela (Bolivarian Republic of)	570	975
Subtotal, country/territory programmes	**22 738**	**27 152**
Regional projects	5 520	6 091
Total	**28 258**	**33 243**

	2015	2014
Eastern Europe and Central Asia		
Country/territory programmes		
Albania	460	490
Armenia	469	492
Azerbaijan	591	729
Belarus	271	296
Bosnia and Herzegovina	520	654
Georgia	597	649
Kazakhstan	598	618
Kosovo	250	259
Kyrgyzstan	740	797
Republic of Moldova	420	497
Russian Federation	–	7
Serbia	353	306
Tajikistan	720	805
The former Yugoslav Republic of Macedonia	415	307
Turkey	1 039	1 034
Turkmenistan	638	740
Ukraine	879	763
Uzbekistan	1 049	1 235
Subtotal, country/territory programmes	**10 009**	**10 678**
Regional projects	7 005	6 921
Total	**17 014**	**17 599**
Office in Addis Ababa	794	905
Global programme and other headquarter activities	23 912	26 095
Total programme expenses	**313 374**	**339 222**

[a] Figures for Pacific multi-islands comprise several islands which, for reporting purposes, are classified under one heading, including the Cook Islands, Fiji, Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Niue, Palau, Samoa, the Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu.

[b] Figures for Caribbean, English- and Dutch-speaking comprise several countries and islands which, for reporting purposes, have been classified under one heading, including Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, the Netherlands Antilles (Aruba, Curaçao and St. Maarten), Suriname, Trinidad and Tobago and the Turks and Caicos Islands.

Schedule D provides a break-down by nature of total programme expenses funded with unearmarked resources referenced above.

(b) Institutional budget

(Thousands of United States dollars)

	2015	2014
Gross expenses	140 254	139 549
Credits to the institutional budget:		
Indirect costs charged to other resources	(33 287)	(33 828)
Local governments contributions to country offices' costs	(167)	(304)
Total	**106 800**	**105 417**

Note 20
Provisions, contingent assets and contingent liabilities

Contingent assets for donor pledges related to all agreements in force as at 31 December 2015 which did not meet the criteria for revenue recognition were estimated at $366.7 million, of which $349.5 million related to earmarked resources.

As at 31 December 2015, UNFPA did not have any material provisions and had a limited number of immaterial contingent liability cases that represented ongoing legal cases.

Note 21
Related parties disclosures

Relevant transactions with key management personnel were as follows:

(Thousands of United States dollars)

	Key management personnel				
	Number of individuals	Compensation and post adjustment	Other entitlements	Pension plan and health benefits	Total remuneration
2015	25	4 950	1 401	901	7 252
2014	21	4 506	919	871	6 296

The aggregate remuneration paid to key management personnel includes net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, shipment costs and employer pension and current health insurance contributions.

Key management personnel are also eligible for post-employment benefits at the same level as other employees and they are ordinary members of the United Nations Joint Staff Pension Fund. The present value of the accrued liabilities for after-service health insurance and repatriation benefits for key management personnel as at 31 December 2015 was estimated at $7.6 million ($5.8 million in 2014).

There were no loans or advances granted to key management personnel and their close family members which were not available to other categories of staff in accordance with the United Nations Staff Rules.

Note 22
Events after the reporting date

The UNFPA reporting date is 31 December 2015. In accordance with the UNFPA Financial Regulations and Rules, these financial statements were signed and submitted to the Board of Auditors by the Executive Director on 29 April 2016. As at the date of signature of the UNFPA financial statements and related notes for the period ended 31 December 2015, there have been no material events, favourable or unfavourable, that have occurred between the reporting date and the date on which the financial statements were authorized for issue that would have affected the statements.

Note 23
Presentation of budget information and comparison between actual amounts on a budget comparable basis and actual amounts reported in the financial statements

Statement V provides a comparison between the original budget, the final budget and the actual expenses incurred during 2015, presented on a budgetary comparable accounting basis. Differences between the original and the final budget are due to elements that become known to management in the course of the year, such as final projections of regular contributions to be received and prior year distributable fund balances. Differences between the final budget and budget utilization amounts are due to underutilization of internally allocated resources.

Reconciliation between the amount of actual expenses for the year 2015 presented in statement V (comparison of budget with actual amounts for the year ended 31 December 2015), and in statement IV (cash flow statement for the year ended 31 December 2015) is shown below. Differences are due to "basis" differences and scope (or "entity") differences. Basis differences are differences between the budgetary and the financial reporting basis of accounting. Entity differences represent the increase/(decrease) in cash and cash equivalents for activities that are out of the scope of the approved budget.

(Thousands of United States dollars)

	Operating activities	*Investing activities*	*Financing activities*	*Total*
Total actual expenses on budget comparable basis (statement V)	(445 608)	(4 422)	–	(450 030)
Basis differences	11 671	220	–	11 891
Entity differences	279 881	176 427	(49)	456 259
Net increase/(decrease) in cash and cash equivalents (statement IV)	**(154 056)**	**172 225**	**(49)**	**18 120**

Reconciliation between the actual surplus/deficit on a budgetary comparable basis (modified cash) and on a financial reporting comparable basis (full accrual) is shown below. For revenue, the budget is based upon projections of contributions and estimates of unutilized resources from the previous year, while financial statements record contributions and other revenue as recognized on the full accrual

basis. For expenses, the difference is mainly attributable to the treatment of capital items such as property, plant and equipment and inventory.

(Thousands of United States dollars)

Actual net surplus on a budget comparable basis (statement V)	**24 409**
Difference between revenue on accrual basis and final budgetary allocations	(46 909)
Difference between expenses on budgetary basis and an accrual basis	(3 598)
Actual net surplus/(deficit) on a financial reporting comparable basis for activities included in the scope of the budget	**(26 098)**

Note 24
Segment reporting

Segment information is based on the principal activities and sources of financing of UNFPA. As such, UNFPA reports separate financial information for two main segments: unearmarked resources and earmarked resources.

(a) Segment reporting of the statement of financial position as at 31 December 2015

UNFPA considers cash, cash equivalents and investments as "joint assets" between segments. It also considers selected accounts payable (e.g. inter-fund accounts) and employee benefits as "joint liabilities" between segments. Revenue and expenses related to these joint items are attributed to the segment in the normal course of operations. Therefore, in accordance with IPSAS, UNFPA attributes joint assets and liabilities to segments. Cash, cash equivalents and investments have been attributed based on the respective fund balances of the segments, while accounts payable and employee benefits have been attributed based on the number of personnel charged to each funding source.

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*
Assets						
Current assets						
Cash and cash equivalents	27 333	20 891	50 026	38 494	77 359	59 385
Investments maturing within one year	109 238	133 133	199 933	245 315	309 171	378 448
Inventories	3 548	6 478	55 411	47 804	58 959	54 282
Contributions receivable (exchange transactions)	–	–	40	171	40	171
Contributions receivable (non-exchange transactions)	18 614	547	161 639	116 692	180 253	117 239
Prepayments and other current assets	24 752	16 929	6 084	11 520	30 836	28 449
Operating fund advances	3 117	4 006	7 713	9 858	10 830	13 864
Total	**186 602**	**181 984**	**480 846**	**469 854**	**667 448**	**651 838**

	Unearmarked resources		*Earmarked resources*		*Total*	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*
Non-current assets						
Investments maturing after one year	139 175	174 809	254 727	322 111	393 902	496 920
Contributions receivable (non-exchange transactions)	–	–	120 589	111 659	120 589	111 659
Other non-current assets	11	10	–	–	11	10
Property, plant and equipment	31 286	31 278	2 694	2 845	33 980	34 123
Intangible assets	672	648	–	–	672	648
Total	**171 144**	**206 745**	**378 010**	**436 615**	**549 154**	**643 360**
Total assets	**357 746**	**388 729**	**858 856**	**906 469**	**1 216 602**	**1 295 198**
Liabilities						
Current liabilities						
Accounts payable and accruals	21 694	19 571	90 533	192 863	112 227	212 434
Employee benefits	30 674	28 285	4 113	3 497	34 787	31 782
Other current liabilities and deferred revenue	(546)	15 957	2 898	1 690	2 352	17 647
Total	**51 822**	**63 813**	**97 544**	**198 050**	**149 366**	**261 863**
Non-current liabilities						
Employee benefits	236 204	267 255	31 672	33 047	267 876	300 302
Other non-current liabilities and deferred revenue	4 988	5 603	–	–	4 988	5 603
Total	**241 192**	**272 858**	**31 672**	**33 047**	**272 864**	**305 905**
Total liabilities	**293 014**	**336 671**	**129 216**	**231 097**	**422 230**	**567 768**
Net assets	**64 732**	**52 058**	**729 640**	**675 372**	**794 372**	**727 430**
Reserves and fund balances						
Reserves						
Operational reserve	78 394	95 128	–	–	78 394	95 128
Reserve for field accommodation	5 000	5 000	–	–	5 000	5 000
Total reserves	**83 394**	**100 128**	**–**	**–**	**83 394**	**100 128**
Fund balances						
Designated unearmarked fund balances	38 299	45 692	–	–	38 299	45 692
Undesignated unearmarked and earmarked fund balances						
Unearmarked resources	(56 961)	(93 762)	–	–	(56 961)	(93 762)
Earmarked resources	–	–	729 640	675 372	729 640	675 372
Total fund balances	**(18 662)**	**(48 070)**	**729 640**	**675 372**	**710 978**	**627 302**
Total reserves and fund balances	**64 732**	**52 058**	**729 640**	**675 372**	**794 372**	**727 430**

(b) Segment reporting of the statement of financial performance for the year ended 31 December 2015

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Elimination*[a]		*Total*	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
Contribution revenue								
Unearmarked contributions	398 197	477 392	–	–	–	–	398 197	477 392
Less: transfers to other revenue for reimbursement of tax charges	(5 947)	(5 483)	–	–	–	–	(5 947)	(5 483)
Subtotal	**392 250**	**471 909**	–	–	–	–	**392 250**	**471 909**
Earmarked contributions	–	–	581 259	529 353	(33 503)	(33 938)	547 756	495 415
Less: refunds to donors	–	–	(4 489)	(3 672)	–	–	(4 489)	(3 672)
Subtotal	–	–	**576 770**	**525 681**	**(33 503)**	**(33 938)**	**543 267**	**491 743**
Total contribution revenue	**392 250**	**471 909**	**576 770**	**525 681**	**(33 503)**	**(33 938)**	**935 517**	**963 652**
Other revenue	52 513	51 430	4 767	10 046	–	–	57 280	61 476
Total revenue	**444 763**	**523 339**	**581 537**	**535 727**	**(33 503)**	**(33 938)**	**992 797**	**1 025 128**
Expenses								
Staff costs	224 387	220 099	39 445	35 989	–	–	263 832	256 088
Reproductive health and other programme-related goods	13 801	15 622	145 562	153 197	–	–	159 363	168 819
Development and training of counterparts	42 217	45 762	76 875	73 162	(216)	(110)	118 876	118 814
Supplies, materials and operating costs	81 318	89 672	116 372	112 779	(33 287)	(33 828)	164 403	168 623
Contracted and professional services	66 522	75 388	92 566	100 735	–	–	159 088	176 123
Finance costs	179	261	531	347	–	–	710	608
Travel	35 481	41 639	33 770	41 500	–	–	69 251	83 139
Depreciation and amortization	6 208	5 405	466	417	–	–	6 674	5 822
Impairment	263	(4)	–	–	–	–	263	(4)
Other expenses	12 350	6 527	22 566	17 557	–	–	34 916	24 084
Total expenses	**482 726**	**500 371**	**528 153**	**535 683**	**(33 503)**	**(33 938)**	**977 376**	**1 002 116**
Surplus for the year	**(37 963)**	**22 968**	**53 384**	**44**	–	–	**15 421**	**23 012**

[a] The presentation in the present table reflects the gross performance of each segment and the elimination column is therefore necessary to remove the effect of inter-segment activities.

Note 25
Financial risk management

UNFPA investment activities are carried out by UNDP under a service level agreement. Under the terms of the agreement, UNDP applies its investment guidelines and governance framework for the benefit of UNFPA. Investments are registered in the name of UNFPA with marketable securities held by a custodian appointed by UNDP.

The principal objectives of the investment guidelines (listed in order of importance) are:

- Safety: preservation of capital, provided by investing in high-quality fixed-income securities emphasizing the creditworthiness of the issuers
- Liquidity: flexibility to meet cash requirements through investments in highly marketable fixed-income securities and by structuring maturities to align with liquidity requirements
- Income: maximization of investment income within the foregoing safety and liquidity parameters.

The UNDP investment committee, comprising senior management, meets quarterly to review investment portfolio performance and ensure that investment decisions are in compliance with the established investment guidelines. UNFPA receives a detailed periodic investment performance report from UNDP which shows the composition and performance of the investment portfolio.

UNFPA is exposed to a variety of financial risks arising from financial instruments, including:

- Credit risk: the possibility that third parties may not pay amounts when due
- Liquidity risk: the likelihood that UNFPA may not have adequate funds to meet its current obligations
- Market risk: the possibility that UNFPA may incur significant financial losses owing to unfavourable movements in foreign currency exchange rates, interest rates and prices of investment securities.

Analysis of credit risk

UNDP investment guidelines limit the amount of credit exposure to any single counterparty and include minimum credit quality requirements. The credit risk mitigation strategies stated in the guidelines include conservative minimum credit criteria of investment grade for all issuers with maturity and counterparty limits by credit rating. The investment guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments are limited to fixed-income instruments of sovereigns, supranational organizations, governmental or federal agencies and banks.

Credit ratings from the three leading credit rating agencies, Moody's, Standard and Poor's, and Fitch, are used to evaluate the credit risk of financial instruments. As at 31 December 2015, UNFPA financial investments were in investment-grade instruments, as shown in the following table (presented using Standard and Poor's rating convention).

(Thousands of United States dollars)

2015	*AAA*	*AA+*	*AA*	*AA-*	*A+*	*A*	*A-*	*Total*
Time deposits[a]	–	–	–	–	–	25 000	–	25 000
Bonds	387 300	163 567	10 023	95 094	22 089	–	–	678 073
Total	**387 300**	**163 567**	**10 023**	**95 094**	**22 089**	**25 000**	**–**	**703 073**

2014	*AAA*	*AA+*	*AA*	*AA-*	*A+*	*A*	*A-*	*Total*
Time deposits[a]	–	–	–	50 000	25 000	25 000	50 000	150 000
Bonds	401 909	168 359	24 845	47 865	67 277	15 113	–	725 368
Total	**401 909**	**168 359**	**24 845**	**97 865**	**92 277**	**40 113**	**50 000**	**875 368**

[a] Excludes investments classified as cash equivalents.

UNFPA credit exposure on outstanding contributions receivable is mitigated by the fact that programme activities do not commence until cash is received.

Analysis of liquidity risk

Investments are made with due consideration for UNFPA cash requirements for operating purposes based on cash flow forecasting. The investment approach includes consideration for investment maturity structuring that takes into account the timing of future funding needs of the organization. UNFPA maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due, as shown in the following table.

(Thousands of United States dollars)

	31 December 2015	*Percentage*	*31 December 2014*	*Percentage*
Cash balances	21 709	3	13 288	1
Cash equivalents	55 650	7	46 097	5
Subtotal	**77 359**	**10**	**59 385**	**6**
Current investments	309 171	40	378 448	41
Non-current investments	393 902	50	496 920	53
Subtotal	**703 073**	**90**	**875 368**	**94**
Total investment, cash and cash equivalents	**780 432**	**100**	**934 753**	**100**

Analysis of market risk

Market risk encompasses interest rate risk, foreign exchange risk and other price risk.

Interest rate risk

Interest rate risk arises from the effects of market interest rate fluctuations on the fair value of financial assets and liabilities and future cash flows. UNFPA is exposed to interest rate risk on its interest-bearing assets. UNFPA classifies its entire portfolio as held to maturity. Those assets are not marked to market and therefore the carrying values are not impacted by changes in interest rates. Consequently, an interest sensitivity analysis related to the investments would not disclose significant variations in value. The UNDP investment committee regularly monitors the rate of return on the investment portfolio compared with the benchmarks specified in the investment guidelines.

(Thousands of United States dollars)

	As at 31 December 2015	*As at 31 December 2014*
Held to maturity investments	703 073	875 368
Available for sale investments	–	–
Total	**703 073**	**875 368**

UNFPA invests in United States dollar-denominated floating rate debt, which exposes it to fluctuations of future cash flows. That exposes the organization to a decrease in future cash flows of interest income in a declining interest rate environment and an increase in future cash flows of interest income in an increasing interest rate environment. As at 31 December 2015, UNFPA had $35 million of outstanding floating rate fixed-income securities.

Foreign exchange risk

UNFPA is exposed to currency risk arising from financial assets that are denominated in foreign currency and financial liabilities that have to be settled in foreign currency.

As at 31 December 2015, 98.2 per cent of UNFPA cash, cash equivalents and investments were denominated in United States dollars and 1.8 per cent were denominated in other currencies. Non-United States dollar holdings have the primary objective of supporting local operating activities in programme countries. UNFPA maintains a minimum level of cash and cash equivalents in those accounts and whenever possible maintains accounts in United States dollars. All investments held as at 31 December 2015 were denominated in United States dollars.

(Thousands of United States dollars)

	In United States dollars		*In other currencies*		*Total*	
	31 December 2015	*31 December 2014*	*31 December 2015*	*31 December 2014*	*31 December 2015*	*31 December 2014*
Cash and cash equivalents	62 926	56 787	14 433	2 598	77 359	59 385
Investments	703 073	875 368	–	–	703 073	875 368
Total	**765 999**	**932 155**	**14 433**	**2 598**	**780 432**	**934 753**

UNFPA is exposed to foreign exchange risk arising primarily from contributions in currencies other than United States dollars. Foreign exchange risk to UNFPA is mitigated where contributions are received in local currency from programme country Governments and used to fund local expenditures.

The UNDP Treasury hedges, on behalf of UNFPA, the currency risk to which UNFPA is exposed when donors pledge and pay contributions at different times and in currencies other than United States dollars. UNFPA expenses for hedge premiums and exchange gains and losses are shown under "other revenue" (note 16). During 2015, contribution revenue in eight currencies was hedged.

The UNDP Treasury uses derivative instruments, such as foreign exchange forwards, options and structured options, to manage foreign exchange exposure. Those derivatives are marked to market with gains or losses recognized in surplus or deficit in the statement of financial performance. As at 31 December 2015, UNFPA had no open derivative positions.

Other price risk

UNFPA is exposed to price risk arising from movement in the prices of financial instruments, which might fluctuate owing to factors other than changes in interest rate or currency fluctuations. The conservative nature of the UNDP investment guidelines mitigates potential exposure to other price risk.

Note 26
Commitments

As at 31 December 2015, UNFPA commitments for the acquisition of various goods and services contracted but not received amounted to $42.3 million ($32.3 million in 2014).

UNFPA contractual leases in the field are typically between one and five years. UNFPA also holds a longer-term operating lease for its headquarters in New York. UNFPA total operating lease commitments as at 31 December 2015 were as follows:

(Thousands of United States dollars)

Undiscounted operating lease commitments	*As at 31 December 2015*	*As at 31 December 2014*
Less than one year	8 058	6 586
One to five years	24 955	21 331
More than five years	36 383	32 556
Total undiscounted operating lease commitments	**69 396**	**60 473**

Only leases with a cancellation notice over 30 days are included.

Schedules

Schedule A
Unearmarked resources — status of contributions for the year ended 31 December 2015

(Thousands of United States dollars)

Donor	*Balance due to UNFPA as at 1 January 2015*	*Adjustments for prior year*	*Commitments for current year (contribution income)*	*Contributions received in advance*	*Exchange gains/ (losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December 2015*
Afghanistan	–	–	1	–	–	1	–
Algeria	–	–	20	–	–	20	–
Andorra	–	–	11	–	–	11	–
Angola	–	–	20	–	–	20	–
Antigua and Barbuda	1	(1)	–	–	–	–	–
Armenia	–	–	3	–	–	3	–
Australia	–	–	11 711	–	81	11 792	–
Bahamas	2	–	1	1	–	4	–
Bangladesh	–	–	50	–	–	50	–
Barbados	–	–	5	–	–	5	–
Belgium	–	–	8 536	–	(1 113)	7 423	–
Belize	3	–	4	3	–	10	–
Benin	2	–	–	–	–	–	2
Bhutan	–	–	6	–	–	–	6
Botswana	–	–	5	15	–	20	–
Brazil	50	(50)	–	–	–	–	–
Burkina Faso	7	(7)	19	–	–	19	–
Burundi	–	–	1	–	–	1	–
Cameroon	82	(21)	19	–	–	–	80
Canada	–	–	12 411	–	79	12 490	–
Chad	–	–	25	–	–	–	25
Chile	–	–	5	–	–	5	–
China	–	–	1 200	–	–	1 200	–
Congo	100	–	–	–	(10)	41	49
Cook Islands	–	–	1	–	–	–	1
Costa Rica	–	–	5	–	–	5	–
Côte d'Ivoire	–	–	49	114	–	163	–
Cuba	–	–	5	–	–	5	–
Czech Republic	–	–	40	–	–	–	40
Democratic People's Republic of Korea	17	–	6	–	–	–	23
Democratic Republic of the Congo	–	–	–	–	–	–	–
Denmark	–	–	39 596	–	(3 034)	36 562	–
Djibouti	–	–	1	–	–	–	1

Donor	Balance due to UNFPA as at 1 January 2015	Adjustments for prior year	Commitments for current year (contribution income)	Contributions received in advance	Exchange gains (losses)	Payments received and movements in contributions received in advance	Balance due to UNFPA as at 31 December 2015
Dominican Republic	1	–	15	15	–	30	1
Egypt	–	–	49	–	–	49	–
El Salvador	1	(1)	2	–	–	2	–
Equatorial Guinea	10	–	10	–	–	–	20
Eritrea	–	–	5	–	–	5	–
Estonia	–	–	75	63	–	138	–
Ethiopia	–	–	3	–	–	3	–
Fiji	–	–	3	–	–	3	–
Finland	–	–	38 039	–	(1 690)	36 349	–
France	–	–	624	–	–	624	–
Gambia	3	(3)	–	–	–	–	–
Georgia	–	–	20	–	–	20	–
Germany	–	–	21 319	–	–	21 319	–
Ghana	54	–	18	–	–	–	72
Guatemala	–	–	5	–	–	–	5
Guinea-Bissau	2	–	1	3	–	6	–
Honduras	–	–	12	–	–	12	–
Hungary	–	–	9	–	(1)	8	–
India	–	–	502	–	–	502	–
Iran (Islamic Republic of)	–	–	30	–	–	30	–
Ireland	–	–	3 097	–	–	3 097	–
Israel	–	–	50	–	–	50	–
Italy	–	–	1 300	–	7	1 307	–
Japan	–	–	18 089	–	–	–	18 089
Jordan	–	–	50	–	–	50	–
Kazakhstan	–	–	50	–	–	50	–
Kenya	–	–	10	–	–	10	–
Kiribati	–	–	30	–	–	30	–
Kuwait	–	–	10	–	–	10	–
Lao People's Democratic Republic	–	–	2	–	–	2	–
Lesotho	–	–	2	–	–	–	2
Liberia	20	(10)	–	–	–	–	10
Liechtenstein	–	–	25	–	–	25	–
Luxembourg	–	–	3 232	–	(114)	3 118	–
Madagascar	15	–	–	–	–	–	15
Malaysia	–	–	15	–	–	15	–
Maldives	20	(5)	5	–	–	15	5

Donor	*Balance due to UNFPA as at 1 January 2015*	*Adjustments for prior year*	*Commitments for current year (contribution income)*	*Contributions received in advance*	*Exchange gains (losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December 2015*
Mali	–	–	8	15	–	23	–
Mauritania	–	–	3	–	–	3	–
Mauritius	–	–	3	–	–	3	–
Mexico	70	–	70	–	(2)	138	–
Monaco	–	–	16	–	–	16	–
Mongolia	4	–	8	–	–	–	12
Morocco	–	–	12	–	–	12	–
Nepal	5	–	5	–	–	5	5
Netherlands	–	–	39 683	–	–	39 683	–
New Zealand	–	–	4 675	–	–	4 675	–
Nicaragua	–	–	5	–	–	5	–
Niger	40	–	20	–	–	–	60
Norway	–	–	55 606	–	(179)	55 427	–
Oman	–	–	10	10	–	20	–
Pakistan	–	–	535	–	–	535	–
Panama	–	–	10	–	–	10	–
Papua New Guinea	18	(4)	4	–	–	–	18
Peru	–	–	4	–	–	4	–
Philippines	–	–	34	–	(1)	33	–
Poland	–	–	11	–	–	11	–
Republic of Korea	–	–	100	–	–	100	–
Romania	–	–	10	–	–	10	–
Russian Federation	–	–	300	–	–	300	–
Rwanda	–	–	1	–	–	1	–
Samoa	–	–	3	–	–	3	–
Sao Tome and Principe	–	–	9	–	–	9	–
Saudi Arabia	–	–	500	–	–	500	–
Senegal	–	–	8	–	–	8	–
Seychelles	2	–	–	–	–	–	2
Sierra Leone	51	(7)	30	–	–	–	74
Singapore	–	–	5	–	–	5	–
South Africa	–	–	39	–	(2)	37	–
Sri Lanka	–	–	18	–	–	18	–
Sudan	–	–	45	–	–	45	–
Swaziland	10	–	10	–	–	10	10
Sweden	–	–	57 403	–	–	57 403	–
Switzerland	–	–	16 210	–	561	16 771	–

Donor	*Balance due to UNFPA as at 1 January 2015*	*Adjustments for prior year*	*Commitments for current year (contribution income)*	*Contributions received in advance*	*Exchange gains/ (losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December 2015*
Tajikistan	–	–	1	–	–	1	–
Thailand	–	–	150	129	–	279	–
The former Yugoslav Republic of Macedonia	3	(3)	–	–	–	–	–
Togo	6	–	6	–	(2)	10	–
Tokelau	–	–	2	–	–	–	2
Trinidad and Tobago	–	–	5	–	–	5	–
Tunisia	–	–	15	–	–	15	–
Turkey	–	–	150	–	–	150	–
Uganda	20	–	10	–	–	–	30
United Arab Emirates	–	–	10	–	–	10	–
United Kingdom of Great Britain and Northern Ireland	–	–	30 817	–	(639)	30 178	–
United Republic of Tanzania	4	–	3	–	–	4	3
United States of America	–	–	30 840	–	–	30 840	–
Uruguay	30	–	–	–	–	25	5
Viet Nam	–	–	20	–	–	20	–
Yemen	–	–	25	–	–	25	–
Zambia	4	(4)	–	–	–	–	–
Zimbabwe	60	–	30	–	–	–	90
Private contributions	–	–	69	–	–	69	–
Contributions equal to or less than $500[a]	1	–	2	–	–	1	2
Subtotal	**718**	**(118)**	**398 030**	**368**	**(6 058)**	**374 182**	**18 758**
Government contribution to local office costs	–	–	167	–	–	167	–
Total	**718**	**(118)**	**398 197**	**368**[b]	**(6 058)**	**374 349**	**18 758**
Contributions receivable as at 31 December	**718**						**18 758**[c]

[a] Includes Bosnia and Herzegovina, Comoros, Guyana, Myanmar, Nauru, Palau, Solomon Islands and Suriname.
[b] This amount is part of the deferred revenue presented in note 13.
[c] This amount is presented gross of allowance for doubtful accounts of $0.1 million.

Schedule B

Earmarked resources — revenue, expenses and fund balances for the year ended 31 December 2015

(Thousands of United States dollars)

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances at 31 December*	*Contributions receivable as at 31 December*
Trust funds									
Afghanistan	–	170	–	–	–	170	14	156	136
Africa Development Bank	1	–	–	–	–	1	–	1	–
Algeria	104	113	–	–	–	217	5	212	–
Andorra and Monaco	232	–	–	–	–	232	118	114	93
Anesvad Foundation	103	–	–	–	–	103	103	–	–
Australia	4 684	3 144	–	(393)	–	7 435	4 217	3 218	510
Belgium	1 267	–	–	–	–	1 267	647	620	–
Belize	7	–	–	–	(7)	–	–	–	–
Bolivia (Plurinational State of)	–	–	–	–	–	–	–	–	–
Botswana	78	55	–	–	–	133	65	68	–
Boyner Holding and Group Companies	35	12	–	–	–	47	44	3	–
Brazil	807	121	–	–	–	928	101	827	52
Burkina Faso	–	4 524	–	–	–	4 524	34	4 490	4 524
Cameroon	190	–	–	–	–	190	156	34	–
Canada	14 809	57 498	–	–	–	72 307	13 467	58 840	26 354
Central African Republic	1 819	–	–	–	–	1 819	1 208	611	–
Chad	–	3 471	–	–	–	3 471	26	3 445	2 777
Children's Investment Fund	–	305	–	–	–	305	150	155	–
Colombia	845	2 104	–	(206)	–	2 743	1 101	1 642	923
Concept Foundation	–	–	–	1	(1)	–	–	–	–
Congo	380	–	–	–	–	380	61	319	–
Costa Rica	–	47	–	–	–	47	–	47	–
Côte d'Ivoire	–	3 900	–	–	–	3 900	30	3 870	3 900
Czech Republic	–	–	–	2	(2)	–	–	–	–
Denmark	2 964	5 278	–	–	–	8 242	6 832	1 410	704
Dominican Republic	3	–	–	–	–	3	–	3	–

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances at 31 December*	*Contributions receivable as at 31 December*
Equatorial Guinea	2 375	–	–	–	–	2 375	682	1 693	–
European Community	7 019	17 989	–	(10)	(234)	24 764	17 098	7 666	1 214
Farmacity S.A.	–	16	–	–	–	16	–	16	–
Finland	7	–	–	–	–	7	–	7	–
Ford Foundation	538	–	–	–	(1)	537	529	8	–
France	8 854	3 947	–	–	–	12 801	5 510	7 291	–
Friends of UNFPA	1 458	90	–	–	(7)	1 541	1 035	506	90
Gabon	25	–	–	–	–	25	6	19	–
Gates Foundation	9 822	–	–	(18)	–	9 804	4 736	5 068	–
Gavi Alliance	157	–	–	–	–	157	112	45	–
Germany	49	661	–	(24)	–	686	139	547	547
Guatemala	4 565	–	–	–	–	4 565	2 715	1 850	626
H&M Hennes & Mauritz	47	–	–	–	–	47	39	8	–
Honduras	4 929	–	–	–	–	4 929	753	4 176	3 800
International Planned Parenthood Federation	2	–	–	(2)	–	–	–	–	–
Ireland	62	3 051	–	–	–	3 113	363	2 750	509
Italy	3 170	2 225	–	–	(30)	5 365	1 739	3 626	1 639
Japan	8 714	15 500	26	(216)	–	24 024	14 076	9 948	2 700
Joint Programme-UNFPA: participating agent	37 652	66 814	2	(772)	31	103 727	53 628	50 099	–
Kazakhstan	2	–	–	–	(2)	–	–	–	–
KfW — Germany	5 116	–	–	–	–	5 116	105	5 011	–
Kuwait	17	–	–	–	–	17	–	17	–
Lebanon	139	46	–	–	–	185	77	108	–
Liberia	2 076	–	–	–	–	2 076	1 402	674	–
Luxembourg	3 132	1 276	1	–	(11)	4 398	2 216	2 182	1 238
MacArthur Foundation	–	600	–	–	–	600	–	600	300
Malaysia	88	400	–	–	–	488	444	44	–
Mali	–	5 200	–	–	–	5 200	40	5 160	5 200
Mauritania	–	1 950	–	–	–	1 950	16	1 934	1 950

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances at 31 December*	*Contributions receivable as at 31 December*
Max-Planck	–	320	–	–	–	320	191	129	–
Mexico	366	239	–	–	–	605	294	311	116
MTN Foundation	108	–	–	(11)	–	97	88	9	–
Multi-donor	26 431	10 812	–	–	(1)	37 242	19 370	17 872	3 008
Netherlands	18 372	4 852	–	(226)	(1)	22 997	5 477	17 520	8 160
New Zealand	4 662	–	–	–	–	4 662	1 295	3 367	2 015
Niger	–	6 955	–	–	–	6 955	54	6 901	6 955
Nigeria	2 446	3 497	–	(9)	–	5 934	2 488	3 446	106
Noble Energy	–	6 204	–	–	–	6 204	–	6 204	4 724
Norway	11 970	4 194	–	(11)	–	16 153	5 588	10 565	7 314
Office for the Coordination of Humanitarian Affairs	13 949	16 087	–	(480)	–	29 556	20 836	8 720	1 047
Oman	738	–	–	–	–	738	252	486	392
Oman, Basic Terms Cooperation Agreement	757	860	–	–	–	1 617	557	1 060	–
Oyu Tolgoi LLC	–	226	–	–	–	226	57	169	157
Packard Foundation	429	750	–	–	–	1 179	466	713	–
PATH	219	–	–	–	–	219	105	114	27
Private individuals	3	10	–	–	–	13	–	13	–
Productora de Pulpas Soledad	625	–	–	–	–	625	74	551	–
Qatar	73	–	–	–	–	73	3	70	–
Republic of Korea	3 769	4 553	–	(1)	–	8 321	1 925	6 396	500
Russian Federation	900	–	–	–	–	900	65	835	–
Sao Tome and Principe	–	204	–	–	–	204	29	175	–
Saudi Arabia	78	2 518	–	–	–	2 596	46	2 550	1 259
Secretariat of the Pacific Community	127	–	–	(62)	–	65	65	–	–
Sierra Leone	11 533	1 684	–	(78)	–	13 139	10 486	2 653	1 684
Small contributions	1 314	1 212	–	(32)	(161)	2 333	1 153	1 180	–
Sotici Foundation	33	–	–	–	–	33	30	3	–
Spain	3 233	1 459	–	(58)	–	4 634	1 535	3 099	–
Sweden	9 062	28 084	–	(24)	–	37 122	8 241	28 881	14 960

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances at 31 December*	*Contributions receivable as at 31 December*
Swedish United Nations Association	238	177	–	–	–	415	75	340	–
Switzerland	9 976	1 212	1	–	–	11 189	4 679	6 510	2 307
Syrian Arab Republic	2	–	–	–	–	2	(43)	45	–
OPEC Fund for International Development (OFID)	–	–	–	–	(1)	(1)	(1)	–	–
Thematic Trust Fund — Multi-donor	304 988	77 012	1 033	–	2	383 035	181 349	201 686	72 423
Timor-Leste	85	–	–	–	–	85	3	82	69
Toms Shoes Inc.	–	60	–	–	–	60	26	34	–
Toros Agri Industry	–	61	–	–	–	61	61	–	–
TOTAL-Congo	15	–	–	–	–	15	–	15	–
Turkmenistan	–	1 000	–	–	–	1 000	–	1 000	1 000
Ultimas Noticias	382	–	–	(382)	–	–	–	–	–
UNAIDS	3 351	17 711	–	15	–	21 077	12 937	8 140	5 250
UNDP — Multi-Partner Trust Fund	18 020	21 000	–	(304)	–	38 716	23 969	14 747	–
United Kingdom of Great Britain and Northern Ireland	35 663	90 755	–	(324)	–	126 094	28 361	97 733	64 165
United Nations Children's Fund	2 952	17 659	–	(90)	–	20 521	14 132	6 389	39
United Nations Development Programme (UNDP)	7 421	5 920	–	(411)	–	12 930	10 190	2 740	55
United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)	1	407	–	(1)	–	407	80	327	100
United Nations Fund for International Partnerships	239	714	–	–	–	953	779	174	18
United Nations Integrated Mission in Timor-Leste	21	–	–	–	–	21	–	21	–
United Nations Office for Project Services (UNOPS)	–	910	–	–	–	910	154	756	505
United Nations Trust Fund for Human Security	2 210	–	–	(50)	–	2 160	1 187	973	790
United States of America	11 784	45 029	12	(235)	–	56 590	22 165	34 425	20 710
Uruguay	785	318	–	–	–	1 103	727	376	5
Venezuela (Bolivarian Republic of)	45	–	–	(46)	–	(1)	(1)	–	–

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances at 31 December*	*Contributions receivable as at 31 December*
Virgin Unite	4	–	–	–	–	4	–	4	–
World Bank	–	–	–	(1)	–	(1)	(1)	–	–
World Health Organization	9	–	–	–	–	9	1	8	–
World Vision Australia	–	88	–	–	–	88	(1)	89	–
Zonta International Foundation	1 614	–	–	(30)	–	1 584	1 249	335	300
Subtotal, trust funds	**639 345**	**575 260**	**1 075**	**(4 489)**	**(426)**	**1 210 765**	**518 681**	**692 084**	**279 947**
Special funds									
Contribution in kind — earmarked (goods)	3 191	(81)	2	–	–	3 112	837	2 275	1 560
Donor Reporting Resources	3 891	–	607	–	–	4 498	1 107	3 391	–
Electronic performance appraisal system (UNICEF)	143	100	–	–	–	243	116	127	–
European Union finance specialist post	161	–	–	–	–	161	1	160	–
Global Contraceptive Community Programme	5 000	–	31	–	(1)	5 030	30	5 000	–
Inventory/items in transit — other resources	(1 460)	–	–	–	–	(1 460)	(2 290)	830	–
Junior Professional Officers programme	5 378	5 283	–	–	–	10 661	4 431	6 230	721
Pooled forex gains/losses for other resources	1 933	–	–	–	233	2 166	107	2 059	–
Population Award	1 734	–	13	–	–	1 747	–	1 747	–
Procurement services — non-third party services related	13 731	–	3 030	–	1 078	17 839	4 144	13 695	40
Rafael M. Salas Endowment Fund	1 086	–	9	–	–	1 095	–	1 095	–
United Nations Care Global Coordinator	1 239	697	–	–	–	1 936	988	948	–
Subtotal, special funds	**36 027**	**5 999**	**3 692**	**–**	**1 310**	**47 028**	**9 472**	**37 556**	**2 321**
Total	**675 372**	**581 259**	**4 767**	**(4 489)**	**884**	**1 257 793**	**528 153**	**729 640**	**282 268**

Note: Contributions and expenses as disclosed in this schedule include: "indirect cost" charges, which in 2015 amounted to $33.3 million, and UNFPA contributions of $0.2 million to joint programmes where the organization serves as a managing agent. With the exception of this schedule and note 24 (b), expenses and earmarked contributions in other statements, notes and schedules are shown net of those amounts.

Schedule C
Third-party procurement services

Third-party procurement is procurement conducted by UNFPA, with no direct programme component, at the request and on behalf of third parties (Governments, intergovernmental organizations, non-governmental organizations, or United Nations entities, including the funds and programmes of the United Nations system, and subsidiary organs of the United Nations). Such procurement is related to the UNFPA mandate and is consistent with its aims and policies. The terms of the procurement are specified in a procurement services contract. That contract includes a handling fee payable to UNFPA to defray its costs associated with conducting the procurement.

(Thousands of United States dollars)

	Fund balances as at 31 December 2014 reclassified as liability	*Receipts for procurement services*	*Adjustments and transfers*	*Total funds available*	*Cost of procurement services*	*Net advances as at 31 December 2015*
Institutions						
Governments and intergovernmental institutions	6 252	13 000	(71)	19 181	14 048	5 133
UNDP and other United Nations agencies	(455)	2 107	(42)	1 610	1 106	504
Non-governmental organizations	915	2 614	45	3 574	3 368	206
Total	**6 712**	**17 721**	**(68)**	**24 365**	**18 522**	**5 843**

Schedule D
Unearmarked and earmarked expenses for the year ended 31 December 2015

(Thousands of United States dollars)

	Country programmes, global and regional interventions and other programme activities				*Institutional budget*		*Corporate*				*Total*			
	Unearmarked		*Earmarked*		*Unearmarked*		*Unearmarked*		*Earmarked*		*Unearmarked*		*Earmarked*	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
Staff costs	94 598	95 554	31 768	28 705	111 239	110 514	18 550	14 031	7 677	7 284	224 387	220 099	39 445	35 989
Reproductive health and other programme-related goods	14 129	15 889	145 832	141 587	58	(14)	(386)	(253)	(270)	11 610	13 801	15 622	145 562	153 197
Development and training of counterparts	42 166	45 394	76 686	73 089	52	103	(1)	265	(27)	(37)	42 217	45 762	76 659	73 052
Supplies, materials and operating costs	63 489	69 015	81 675	77 618	19 218	20 743	(1 389)	(86)	1 410	1 333	81 318	89 672	83 085	78 951
Contracted and professional services	61 125	69 858	92 139	100 371	4 944	4 508	453	1 022	427	364	66 522	75 388	92 566	100 735
Finance costs	125	236	531	347	13	13	41	12	–	–	179	261	531	347
Travel	32 586	38 622	33 567	41 289	3 079	2 754	(184)	263	203	211	35 481	41 639	33 770	41 500
Depreciation and amortization	3 001	2 872	462	407	1 395	944	1 812	1 589	4	10	6 208	5 405	466	417
Impairment	8	(4)	–	–	250	–	5	–	–	–	263	(4)	–	–
Other expenses	2 147	1 786	22 562	17 552	6	(16)	10 197	4 757	4	5	12 350	6 527	22 566	17 557
Total expenses	**313 374**	**339 222**	**485 222**	**480 965**	**140 254**	**139 549**	**29 098**	**21 600**	**9 428**	**20 780**	**482 726**	**500 371**	**494 650**	**501 745**